

TRADE AGREEMENTS EXTENSION

HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE EIGHTY-FOURTH CONGRESS

FIRST SESSION

ON

H. R. 1

AN ACT TO EXTEND THE AUTHORITY OF THE PRESIDENT
TO ENTER INTO TRADE AGREEMENTS UNDER SECTION
350 OF THE TARIFF ACT OF 1930, AS AMENDED, AND FOR
OTHER PURPOSES

MARCH 2, 3, 4, 7, AND, 8, 1955

PART 1

Printed for the use of the Committee on Finance



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1955

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TRADE AGREEMENTS EXTENSION

WEDNESDAY, MARCH 2, 1955

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to notice at 10:10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Kerr, Frear, Long, Barkley, Millikin, Martin, Williams, Flanders, Malone, Carlson, Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

The legislation before the committee is H. R. 1, to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes. (H. R. 1 is as follows:)

[H. R. 1, 84th Cong., 1st sess.]

AN ACT To extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Trade Agreements Extension Act of 1955".

Sec. 2. The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is hereby extended from June 12, 1955, until the close of June 30, 1958.

Sec. 3. (a) Subsection (a) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (a)), is hereby amended to read as follows:

"(a) (1) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

"(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing: *Provided*, That

no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States: *Provided further*, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under this section.

"(B) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.

"(2) No proclamation pursuant to paragraph (1) (B) of this subsection shall be made—

"(A) Increasing by more than 50 per centum any rate of duty existing on January 1, 1945.

"(B) Transferring any article between the dutiable and free lists.

"(C) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, decreasing by more than 50 per centum any rate of duty existing on January 1, 1945.

"(D) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, decreasing (except as provided in subparagraph (E) of this paragraph) any rate of duty below the lowest of the following rates:

"(i) The rate 15 per centum below the rate existing on July 1, 1955.

"(ii) In the case of any article which the President determines, at the time the foreign trade agreement is entered into, is normally not imported into the United States or is normally imported into the United States in negligible quantities, the rate 50 per centum below the rate existing on January 1, 1945. This clause shall not apply with respect to any article unless it is identified in the list required by section 3 (a) of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1360 (a)), for possible consideration as an article which is normally not imported into the United States or is normally imported into the United States in negligible quantities.

"(iii) In the case of any article subject to an ad valorem rate of duty above 50 per centum (or a combination of ad valorem rates aggregating more than 50 per centum), the rate 50 per centum ad valorem (or a combination of ad valorem rates aggregating 50 per centum). In the case of any article subject to a specific rate of duty (or a combination of rates including a specific rate) the ad valorem equivalent of which has been determined by the President to have been above 50 per centum during a period determined by the President to be a representative period, the rate 50 per centum ad valorem or the rate (or a combination of rates), however stated, the ad valorem equivalent of which the President determines would have been 50 per centum during such period. The standards of valuation contained in section 402 of this Act (as in effect during the representative period) shall be utilized by the President, to the maximum extent he finds such utilization practicable, in making the determinations under the preceding sentence.

"(E) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, to which the Government of Japan is a party and with respect to which notice of intention to negotiate was published on November 16, 1954 (19 F. R. 7379), if the President determines that such decrease is necessary in order to provide expanding export markets for products of Japan (including such markets in third countries), decreasing by more than 50 per centum any rate of duty existing on January 1, 1945.

"(3) (A) Subject to the provisions of subparagraphs (B) and (C) of this paragraph, the provisions of any proclamation made under paragraph (1) (B) of this subsection, and the provisions of any proclamation of suspension under paragraph (5) of this subsection, shall be in effect from and after such time as is specified in the proclamation.

"(B) In the case of any decrease in duty to which paragraph (2) (D) of this subsection applies—

"(i) if the total amount of the decrease under the foreign trade agreement does not exceed 15 per centum of the rate existing on July 1, 1955, the amount of decrease becoming initially effective at one time shall not exceed 5 per centum of the rate existing on July 1, 1955:

"(ii) except as provided in clause (i), not more than one-third of the total amount of the decrease under the foreign trade agreement shall become initially effective at one time; and

"(iii) no part of the decrease after the first part shall become initially effective until the immediately previous part shall have been in effect for a period or periods aggregating not less than one year.

"(C) No part of any decrease in duty to which the alternative specified in paragraph (2) (D) (i) of this subsection applies shall become initially effective after the expiration of the three-year period which begins on July 1, 1955. If any part of such decrease has become effective, then for purposes of this subparagraph any time thereafter during which such part of the decrease is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining when the three-year period expires.

"(D) If the President determines that such action will simplify the computation of the amount of duty imposed with respect to an article, he may exceed any limitation specified in paragraph (2) (D) or (E) of this subsection or subparagraph (B) of this paragraph by not more than whichever of the following is lesser:

"(i) The difference between the limitation and the next lower whole number, or

"(ii) One-half of 1 per centum ad valorem.

In the case of a specific rate (or of a combination of rates which includes a specific rate), the one-half of 1 per centum specified in clause (ii) of the preceding sentence shall be determined in the same manner as the ad valorem effect of rates not stated wholly in ad valorem terms is determined for the purposes of paragraph (2) (D) (iii) of this subsection.

"(4) In exercising his authority under this section, the President shall avoid, to the maximum extent he deems practicable and consistent with the purpose of this section, the subdivision of classification categories.

"(5) Subject to the provisions of section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1362), duties and other import restrictions proclaimed pursuant to this section shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly: *Provided*, That the President shall, as soon as practicable, suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purpose of this section.

"(6) The President may at any time terminate, in whole or in part, any proclamation made pursuant to this section."

(b) The last sentence of section 350 (b) of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (b)), is hereby amended to read as follows: "No rate of duty on products of Cuba shall be decreased—

"(1) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, by more than 50 per centum of the rate of duty existing on January 1, 1945, with respect to products of Cuba.

"(2) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, below the applicable alternative specified in subsection (a) (2) (D) or (E) (subject to the provisions of subsection (a) (3) (B), (C), and (D)), each such alternative to be read for the purposes of this paragraph as relating to the rate of duty applicable to products of Cuba. With respect to products of Cuba, the limitation of subsection (a) (2) (D) (iii) may be exceeded to such extent as may be required to maintain an absolute margin of preference to which such products are entitled"

(c) Subsection (c) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (c)), is hereby amended by inserting "(1)" after "(c)", by striking out "(1)" and inserting in lieu thereof "(A)", by striking out "(2)" and inserting in lieu thereof "(B)", and by adding at the end thereof the following new paragraph:

"(2) For purposes of this section—

"(A) Except as provided in subsection (d) and subparagraph (C) of this paragraph, the terms 'existing on January 1, 1945' and 'existing on July 1, 1955' refer to rates of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on the date specified, except rates in effect by reason of action taken pursuant to section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1362).

"(B) The term 'existing' without the specification of any date, when used with respect to any matter relating to the conclusion of, or proclamation to carry out, a foreign trade agreement, means existing on the day on which that trade agreement is entered into.

"(C) In applying paragraphs (2) (D) (i) and (3) (B) (i) of subsection (a), the rate of duty on an article included in a foreign trade agreement with respect to which notice of intention to negotiate was published on November 16, 1954 (19 F. R. 7379), if such agreement is entered into before July 1, 1955, shall be considered to be the rate 'existing on July 1, 1955'."

(d) Section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is hereby amended by adding at the end thereof the following new subsection:

"(e) The President shall submit to the Congress an annual report on the operation of the trade agreements program, including information regarding new negotiations, modifications made in duties and import restrictions of the United States, reciprocal concessions obtained, modifications of existing trade agreements in order to effectuate more fully the purposes of the trade agreements legislation (including the incorporation therein of escape clauses), and other information relating to that program and to the agreements entered into thereunder."

SEC. 4. Subsection (b) of section 6 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1363 (b)), is hereby amended by striking out the second sentence thereof.

Passed the House of Representatives February 18, 1955.

Attest:

RALPH R. ROBERTS, *Clerk.*

The CHAIRMAN. The chairman has been requested to read a communication from Secretary Dulles:

I am sorry my absence from Washington makes it impossible for me to appear personally today to urge the enactment of H. R. 1. However, I do want to take this opportunity to stress the importance of this legislation in the national interest of the United States.

As I stated in my testimony before the Ways and Means Committee I am convinced that the enactment of this bill will promote the security and welfare of the United States.

The legislation before your committee provides modest tariff-reducing authority. It is a minimum program. It would enable us to advance friendly trade relations with our friends and allies and thus build up the indispensable economic ties without which our mutual defense would fail.

The Chair is informed that Secretary Dulles will appear before the committee in person on March 14.

The Chair wishes to make a part of the record the reports of the Bureau of the Budget and the Department of the Interior on H. R. 1 expressing favorable comments.

(The reports referred to follow:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., March 2, 1955.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.

MY DEAR MR. CHAIRMAN: This letter is in reply to your request of February 23, 1955, for a report on H. R. 1, a bill to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

This bill would provide for a 3-year extension of authority to negotiate tariff reductions on a gradual, selective, and reciprocal basis, as the President recommended in his message on foreign economic policy transmitted to the Congress on January 10, 1955. The message stated that such a moderate program can add immeasurably to the security and well-being of the United States and the rest of the free world.

For these reasons, enactment of this legislation would be in accord with the program of the President and is recommended.

Sincerely yours,

ROWLAND HUGHES, *Director.*

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington D. C., March 8, 1955.

Hon. HARRY F. BYRD,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

MY DEAR SENATOR BYRD: I am pleased to comply with the request of your committee for the views of this Department on H. R. 1, a bill to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes.

I recommend its enactment.

In spite of the predominantly domestic nature of the work of the Department of the Interior, the Department has substantial interests in the field of international trade. The Department's program is affected both by competing imports from sources abroad as well as by availability of foreign markets for the products of public and reclamation lands, fishery resources, petroleum, and mining industries. The economies of our territories are likewise stimulated or retarded by the flow of goods in international trade.

The committee is, of course, familiar with the issues involved in the imports of petroleum and natural gas, tuna and other fishery products, lead, zinc, fluorspar, potash, and other metals and minerals. Important also are the opportunities to expand our export markets for coal, sulfur, agricultural products, and manufactured goods which use the output of our mines.

H. R. 1 would extend for 3 years the authority of the President to negotiate tariff reductions with other nations on a gradual, selective, and reciprocal basis. Care will be exercised, and much thought will be given to future tariff reductions. Thus, I do not anticipate wholesale reductions in the tariffs on metals and minerals, for example. These tariffs are already substantially below the levels of protection afforded other segments of the economy. With few exceptions, the duties on ores and unprocessed minerals are so low as to offer little restrictive effect upon imports. As a rule, the duties on mineral imports are specific whereas in other commodities they are likely to be ad valorem. Rising price levels have reduced the protective effect of specific tariffs while ad valorem duties have, of course, increased with rising prices.

The several provisions of the proposed bill limiting the extent to which tariffs may be reduced plus the peril point and escape clause provisions of existing legislation assure the continued vitality and diversification of our industry and adequate protection to essential domestic production of strategic materials.

This Department is of the opinion that the interests of the Nation are best served by a program of continued effort on a gradual, selective, and reciprocal basis to lower restrictive barriers and liberalize and expand the flow of goods in international trade.

The Bureau of the Budget has advised that there is no objection to the submission of this report to your committee.

Sincerely yours,

(Signed) DOUGLAS MCKAY,
Secretary of the Interior.

The CHAIRMAN. The first witness today is the Assistant Secretary of the Department of Agriculture, Mr. Earl L. Butz, who is speaking for the Secretary of Agriculture, who is in Latin America.

Will you proceed, sir, in your own way.

STATEMENT OF EARL L. BUTZ, ASSISTANT SECRETARY OF AGRICULTURE, ACCOMPANIED BY GUSTAVE BURMEISTER, ASSISTANT ADMINISTRATOR, FOREIGN AGRICULTURE SERVICE UNITED STATES DEPARTMENT OF AGRICULTURE

Mr. BUTZ. Mr. Chairman and members of the committee, I have a brief statement I would like to present to the committee.

The Department of Agriculture is pleased to appear before this committee in support of the Trade Agreements Extension Act of 1955.

Secretary Ezra T. Benson had planned to appear personally before this committee in support of the proposed legislation, but cannot do so today because he is in the middle of a trip to several Latin-American countries. However, he did personally endorse the legislation in his testimony before the House Ways and Means Committee on January 17, 1955.

I am pleased to present the views of the Department before this committee. As one with several years' background in agricultural economics work before coming with Government, I personally find it easy to endorse the objectives and provisions of the proposed legislation. The enactment of this legislation will represent a substantial contribution to the prosperity of our American agriculture, industry, and labor, while also strengthening America's foreign policy.

President Eisenhower, in his 1955 state of the Union address indicated the broad responsibilities which we carry and the spirit in which we should move forward.

We must expand international trade and investment and assist friendly nations whose own best efforts are still insufficient to provide the strength essential to the security of the free world.

The recent economic progress in many free nations has been heartening. The productivity of labor and the production of goods and services are increasing in ever-widening areas. There is a growing will to improve the living standards of all men. This progress is important to all people. It promises us allies who are strong and self-reliant; it promises a growing world market for the products of our mines, our factories, our farms.

H. R. 1 would extend for 3 years the present Trade Agreements Act, which goes back to 1934. It would authorize the President, subject to the present peril and escape-clause provisions:

First. To reduce through multilateral and reciprocal negotiations tariff rates on selected commodities by not more than 5 percent per year for 3 years.

Second. To reduce, by not more than one-half over a 3-year period, tariff rates in effect on January 1, 1945, on articles which are not now being imported or which are being imported in negligible quantities.

We have seen in the last 2 years that under the Trade Agreements Act, as annually renewed, there was no serious depression of our economy. In fact, we are currently enjoying a high peacetime level of economic activity. Therefore, it seems to me, the time has come to renew the act not just for a year, but for 3 years. That will have a stabilizing effect and increase confidence throughout the free world.

The Trade Agreements Extension Act of 1955 opens several avenues down which we may travel to effectuate a trade policy that will best serve the interests of American agriculture and industry. It is my desire today to list what I believe to be the main benefits to our country which may result from the passage of this legislation.

Producers of agricultural and industrial products will benefit. Additional imports of noncompetitive farm products and nonfarm products into the United States will help foreign countries to earn dollars which will enable them to buy more of those products which they need and want but cannot afford unless we also buy from them. By citing some recent foreign data I may be able to amplify this latter point.

The dollar value of our total imports for the most recent 6 months' period for which data are available (July–December 1954) was \$4,948 million. The data for the comparable months of 1953 and 1952 were \$5,213 million and \$5,321 million, respectively. Thus it can be seen that dollarwise the value of our imports has been declining during the last 3 years.

What has been happening to our exports of farm and nonfarm products during this same period? For the last 6 months of 1954, the dollar value of total exports was \$7,303 million as compared with \$7,595 million during the comparable months of 1953. This represents a decrease of almost \$300 million in exports in 1954 from the 1953 level. Our imports for this same period dropped some \$265 million, as previously indicated.

As you members of this committee well know, the Department of Agriculture has been emphasizing strongly during the last 15 months the expansion of exports of farm products. The total value of our farm exports has increased some during the July–December period of each year since 1952. In July–December 1953, our farm exports were \$29 million more than for the same months of 1952; during the last 6 months of 1954, the dollar value of our farm exports was up more than \$100 million over the 1953 level, reaching \$1,582 million. The decline in the value of our total exports, mentioned above, was entirely attributable to the drop in our nonagricultural exports.

The point I wish to call particularly to your attention is that under Public Law 480, which you so wisely enacted last year, we are entering into competition for world markets, rather than settling for the role of the world's residual supplier. However, if we hope to maintain this higher level of farm exports, foreign countries will need to get more dollars to buy these farm products from us. One way of achieving this desirable goal is to reduce our tariff barriers on industrial products with Japan and other countries which buy large quantities of American farm products. This is one of the main provisions of the Trade Agreements Extension Act of 1955. But the element of reciprocity must be kept in the foreground before we enter into any trade negotiations—i. e., these trade negotiations must be mutually beneficial to the United States and to the other party or parties. Under the trade agreements program, concessions have been obtained for many farm products which we customarily export from the United States in any significant quantity.

American consumers of agricultural and industrial products will likewise benefit from the provisions of this reciprocal trade agreements legislation we are discussing. The domestic consumer in the United States is able to buy many commodities at lower prices because export business has permitted greater mass economies than would have been possible in the absence of the added export volume. This has been more true for industrial products than for farm products. However, as a result of trade, American consumers do have a larger variety of

farm products than we otherwise would have. Coffee, bananas, tea, and cocoa are good examples of these.

We need a further increase of exports of some of our "basic" crops, such as cotton and wheat. During the calendar year 1954 our exports of raw cotton amounted to the equivalent of over 6 million acres of cotton. This amounts to almost one-third of the entire cotton crop harvested last year.

Our exports of wheat grain and wheat flour in 1954 represented the equivalent of more than 14 million acres of wheat. This quantity of wheat exports is the equivalent of 26.5 percent of the total wheat acreage harvested in the United States last year.

For the calendar year 1954 our exports of unmanufactured tobacco of all kinds and types were the equivalent of almost 1 acre out of every 4 harvested. In the case of rice, our 1954 exports represented more than 22 percent of the harvested acreage.

In addition to these exports of raw and semiprocessed farm products, we exported sizable quantities of these same products in a manufactured form—such as cotton textiles, cigarettes, macaroni, cereals, et cetera.

By exporting sizable quantities of these basic crops, we were selling them to consumers rather than having them stored by the Commodity Credit Corporation. We were disposing of our surpluses rather than storing them at the taxpayer's expense. It is our expectation that the renewal of the Trade Agreements Act, along with our increased emphasis on marketing, will enable the Department of Agriculture to make progress in reducing CCC stocks of farm products.

Obviously, these sizable exports of agricultural products are most beneficial to the American farmer. Under the existing agricultural legislation where we find it necessary to restrict the acreage of such crops as wheat and cotton, we are thankful that our exports of wheat and cotton do represent over 14 million acres of wheat and more than 6 million acres of cotton. If we do anything to impair the effectiveness of our present trade policy, the impact would be most serious on agriculture, as well as on the rest of our economy.

As American citizens, we all will benefit from the passage of this trade-agreements legislation. International trade creates a stronger free world and thus contributes to the possibilities for maintaining world peace.

The horizons that open up ahead by a freer trade among nations were indicated by President Eisenhower when he said :

The peace we seek, founded upon decent trust and cooperative effort among nations, can be fortified—not by weapons of war—but by wheat and by cotton; by milk and by wool; by meat, by timber, and by rice.

Because of resource deficiencies, other free countries are unable to produce all the products they need to be economically and militarily strong enough to resist aggression. Western Europe relies on imports to supply a large part of its food and materials. United States exports help make up this deficiency. In turn, many critical raw materials needed by our defense effort are not found in this country at all or in insufficient quantities.

Japan is one of the most important markets for United States farm products. This bill makes special provision to proceed with the current tariff negotiations with Japan under the present Trade Agreements Act.

There are some people who urge that we refrain from granting Japan any further trade concessions, either directly or indirectly. Their fears are based on the potential threat that such increased imports might have on the future of American industry. However, in order for Japan to continue to buy annually \$400 million, or more, of our commodities produced on American farms, Japan must be permitted to earn dollars. That is the purpose of our present negotiations with Japan and third countries. We must remember that if our negotiations with Japan are successful, we will be compensated in at least two ways: first, retaining Japan as a member of the free world; and secondly, being able to continue to sell Japan such large quantities of American cotton, wheat, soybeans, rice and other products.

Summary: Since the United States is the greatest creditor Nation in the world, we should and must take the leadership in expanding world trade.

President Eisenhower recently stated that,

A program built around this legislation provides for reciprocity, and in the program's administration the principle of true reciprocity will be faithfully applied. Americans cannot alone solve all world trade difficulties; the cooperation of our friends abroad is essential. With such cooperation, this program provides the means for doing our part to help emancipate free-world commerce from the shackles now holding back its full development.

This legislation provides the authority needed to expand trade. It also provides desirable safeguards to agriculture. The legislation contains provisions which make it clear that trade agreements cannot be used to modify any import restrictions imposed under section 22 or to limit the authority to impose import restrictions under section 22 of the Agricultural Adjustment Act, as amended. Thus, our domestic farm programs will be protected from disruptive rates of increase in imports.

This legislation has received the support of the major farm organizations of this country.

For the foregoing reasons, it is desirable to have congressional approval of the Trade Agreements Extension Act of 1955. By taking such action it will reassure the free nations of the world that we are sincere in our desire to promote a freer exchange of goods between the United States and other nations. It surely will assist us in agriculture to hold and expand the foreign markets for our farm products.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Any questions?

Senator MILLIKIN. Mr. Chairman, I would like to ask the witness how much of our foreign exports, of farm commodities, does he attribute to the fact that we have been lending a lot of money and giving a lot of money abroad, and to the fact that their foreign production has been somewhat impaired due to the war and domestic disturbances.

Mr. BUTZ. It is very difficult, Senator, to isolate those figures precisely. A large share of our postwar exports of foreign products was attributable to the fact that we were spending a lot of money abroad on our defense effort and foreign rehabilitation efforts. A lot of the decline from 3 or 4 years ago was no doubt due to the fact that our expenditures abroad have declined.

Senator MILLIKIN. Is it also because they have picked up on their own farm production?

Mr. BUTZ. Yes, sir; that has been partly behind the farm export decline.

Senator MILLIKIN. I notice you speak about a reduction on selected commodities of not more than 5 percent a year for 3 years. Do you think that would be a significant reduction?

Mr. BUTZ. In some cases, it may. It may mean the difference between trade and no trade. At least, it is a movement in the proper direction of freer international trade.

Senator MILLIKIN. Would that not depend, if you were going to preserve the reciprocal feature of the system, would that not depend in part on what we get out of it?

Mr. BUTZ. Yes, indeed. One of the important features of this legislation is the principle of reciprocity.

Senator MILLIKIN. We speak of noncompetitive farm products. Would you give us an example of what those are?

Mr. BUTZ. Yes. Over a period of years, nearly half of our imports of farm products are what we call noncompetitive farm products. That includes such things as coffee, tea, rubber, bananas, cocoa, that we import in very substantial quantities and some hard fibers, too.

Senator MILLIKIN. Those we want irrespective of the reciprocal trade system. They are on the free list.

Mr. BUTZ. Yes; they tend to be that.

Senator MILLIKIN. There is no movement to put any of those products on a tariff-carrying basis; is that correct?

Mr. BUTZ. Yes, sir.

Senator MILLIKIN. So that has nothing to do with the immediate problem before us.

Mr. BUTZ. Not a great deal, as I understand it.

Senator MILLIKIN. I notice you point out the fact that the new bill provides for a reduction, provides authority to reduce rates in excess of 50 percent to that level over a 3-year period. What is your theory explaining why those rates have remained over 50 percent during the whole life of the reciprocal trade system?

Mr. BUTZ. I don't have the information to answer that question. Perhaps Mr. Burmeister does.

Mr. BURMEISTER. In case of some of the agricultural products, it is because we haven't negotiated with countries in which trade in those products would be important.

Senator MILLIKIN. We have had the opportunity.

Mr. BURMEISTER. Yes, but we did not negotiate with certain countries.

Senator MILLIKIN. Have you made a study of those rates that carry more than 50 percent to determine—

Mr. BURMEISTER. I haven't, no, sir.

Senator MILLIKIN. To determine whether they are really blocking trade or whether they are considered necessary for the proper safeguarding of trade?

Mr. BURMEISTER. I recall a small listing of those products I think, by the United States Tariff Commission. I believe it was last year. But I have not made a study of the problem.

Senator MILLIKIN. Isn't it a fact that many of those rates over 50 percent are rates which, despite the fact that they are over 50 percent, continue to admit of imports?

Mr. BURMEISTER. That is true.

Senator MILLIKIN. So that the 50 percent is not a magic figure from which you can assume that all rates over 50 percent are wrong?

Mr. BURMEISTER. No, sir.

Senator MILLIKIN. The past administration has been very strong in favor of reducing rates. They have had the opportunity to negotiate with the countries of the world. If rates had been maintained at more than 50 percent and withstood all the negotiations to reduce them, isn't there a somewhat fair assumption that perhaps those rates are necessary for the proper safeguarding of our competitive American products?

Mr. BURMEISTER. I think that would be true in certain cases.

Senator MILLIKIN. So that you wouldn't say that a 50-percent rate is in and of itself an evil rate and must be reduced?

Mr. BURMEISTER. I wouldn't say that.

Senator MILLIKIN. Or a rate that is more than that?

Mr. BURMEISTER. I wouldn't say that.

Mr. BUTZ. The act does not imply, and the passage of the act would not automatically mean, that the rates would be brought down below 50 percent. It authorizes the negotiating teams to negotiate in that area.

Senator MILLIKIN. They have the right to negotiate in that area anyhow?

Mr. BUTZ. That is right.

Senator MILLIKIN. If there is not some sort of an implication that the rate over 50 percent is wrong, there is no purpose in having it in the act, because the administration is at liberty to negotiate any rates that still remain; is that not correct?

Mr. BUTZ. Yes, sir.

Senator MILLIKIN. Now, as to articles that are being imported into this country in negligible quantities, perhaps it is necessary to keep the rates and certain other limitations that do not allow a larger importation of those products; perhaps it is advisable to preserve those rates and preserve those restrictions, whatever they may be, to safeguard some American industries. Is that conceivable?

Mr. BUTZ. That is conceivable. I am sure the Trade Agreements Committee will take that into consideration. They will be guided by the principle of reciprocity. They will make no concession unless they get one in return.

Senator MILLIKIN. That comes to one of the points that is the heart of the whole thing, the reciprocity of the thing, what we get in return, but the mere fact that an import comes in here in negligible quantities, that may be a highly desirable thing under all the circumstances.

Mr. BUTZ. It could conceivably be.

Senator MILLIKIN. Again, I am driving to the point that there is no automatic harm in the fact that something comes in here in negligible quantities.

Mr. BUTZ. You are right; it doesn't follow automatically that it is wrong.

Senator MILLIKIN. And that you would have to take this on a selected case-by-case basis.

Mr. BUTZ. Indeed.

Senator MILLIKIN. And not allow any alterations in the rates or other impositions that are not justified by the facts of the particular case; is that not correct?

Mr. BUTZ. That is correct.

Senator MILLIKIN. There is nothing wrong in and of itself in the fact that a rate is more than 50 percent. There is nothing wrong in the fact that something comes in here in negligible quantities. Those may be desirable purposes is that not correct?

Mr. BUTZ. That is correct. On the other hand, in selected cases, you may need to use them for bargaining purposes to get concessions from other countries.

Senator MILLIKIN. But you wouldn't be lowering rates that ought not to be lowered if you are preserving your peril point and preserving your proper escape-clause procedures merely to secure some other benefit from somebody else; is that not correct?

Mr. BUTZ. Correct.

Senator MILLIKIN. What are foreign countries doing in the way of welcoming our own exports of agricultural commodities?

Mr. BUTZ. We get mixed reactions. Foreign countries sometimes follow protectionist practices, as we have in the United States. That is why we have this program of reciprocity. We take a mutual approach to the problem of removing trade barriers and promoting trade.

Senator MILLIKIN. I think you recognize in your testimony that we cannot lift all safeguards that we have put on to protect our own support programs. It would be utterly silly, would it not, to take away those safeguards and allow free importation of goods that we are trying to support in the domestic market?

Mr. BUTZ. Yes, sir. As long as we have our domestic price support program, we must have some way of protecting it.

Senator MILLIKIN. I am glad to see that you are very firm and clear in that.

Will you tell me what concession has been made to us by foreign countries in agricultural commodities?

Mr. BUTZ. I can speak in general terms, using 2 or 3 country illustrations. Cuba has made a rather substantial concession to rice imports into Cuba from this country under the Reciprocal Trade Agreements Act. We have had some concessions from Canada on fresh fruits and vegetables. Perhaps Mr. Burmeister can name some others.

Mr. BURMEISTER. Senator, there are 34 countries in the general agreement at the present time and many of them have made considerable concessions on our agricultural products.

Senator LONG. Would you give us the actual figures on Cuban rice, the actual figures on Cuban rice imports from the United States for the past 5 years? I do not think that you will find that they have been making any increase in rice purchases from this Nation.

Mr. BUTZ. We will insert those figures in the record. We don't have them here.

(The information requested is as follows:)

From 1944 through 1950 exports of United States rice to Cuba more than doubled in volume. This was during a period of high-level sugar production and an expanding Cuban economy. Following 1950 and extending through 1954, sugar production has been curtailed due to lower marketings, while at the same

time, domestic rice production in Cuba has been increasing. Cuban acreages devoted to rice in 1954 were almost double those prior to 1950. Where 5 years ago, Cuba was producing about 15 percent of annual rice requirements, now domestic production accounts for over 30 percent. The tabulation given below of United States exports of rice to Cuba over the past 10 years will serve to indicate these trends.

Under the General Agreement on Tariffs and Trade (GATT-1947), Cuba undertook to provide for a basic low-duty world quota of $3\frac{1}{4}$ million quintals plus such additional amounts as might be necessary to meet Cuban rice requirements above domestic production. In December 1952, Cuba and the United States entered into an agreement which provided a formula whereby the provisions of GATT could be more readily carried out. Under this agreement Cuba was to announce on July 1 each year a basic quota of $3\frac{1}{4}$ million quintals for entry into Cuba at a low-duty tariff rate and a supplementary deficit quota equivalent to $66\frac{2}{3}$ percent of the addition amount needed together with domestic rice production to meet the consumption needs of Cuba. Then on the following March 15 the remaining $33\frac{1}{3}$ percent of the deficit was to be announced adjusted for trends in production and consumption.

On July 1, 1954 the basic quota of $3\frac{1}{4}$ million quintals was announced by Cuba, but no supplemental quota was issued at that time under the formula nor up to the present time. The uncertainties of what Cuban imports for the rice marketing year were to be has been demoralizing to the United States rice trade. Negotiations were started during February to try to arrive at a solution. These are now in recess and will resume on March 15. Unofficial estimates given by the Cubans in respect to their 1954 rice production and consumption have been quite at variance with the statistics gathered by the United States from several sources. The Cubans have been pressed to either announce a supplemental quota immediately or, if their intentions were that they would not issue additional quotas, that such an announcement be made and the data upon which such conclusions were based be made a part of the announcement. No action has as yet been taken in regard to this. With the current system of import licenses for some 200 Cuban importers, the announced low-duty quota becomes in fact a quantitative restriction on rice imports. If no low-duty quota is forthcoming prior to July 1, 1955, then the 1954-55 imports of rice from the United States will fall to 3,250,000 bags which will be materially below the totals for some years.

United States exports of milled rice to Cuba, 1944-45 to 1953-54 (August-July)

	<i>Exports (1,000 bags of 100 pounds)</i>		<i>Exports (1,000 bags of 100 pounds)</i>
1944-45	3,330	1949-50	6,119
1945-46	3,355	1950-51	6,965
1946-47	4,650	1951-52	5,118
1947-48	5,267	1952-53	4,876
1948-49	5,223	1953-54	4,755

Source: Bureau of the Census; Grain and Feed Division, Foreign Agriculture Service, U. S. Department of Agriculture.

Mr. BUTZ. On the other hand, they give us a preferential tariff treatment on rice from this country.

Senator LONG. I believe you will find that they have been buying less and less American rice and demanding the right to sell more and more sugar at the same time.

Mr. BUTZ. But they are giving us a tariff concession on rice that they buy from us.

Senator LONG. That is not doing us much good if they boost their rice production while we buy more sugar.

Mr. BUTZ. We will insert that in the record.

Senator MILLIKIN. Do you know of any foreign country which takes substantial importations of our agricultural products if that country itself raises those products?

Mr. BUTZ. I think the answer to your question hinges around the use of the word "substantial." If you interpret it the way I think you do, the answer is "No."

Senator MILLIKIN. Make your own definition of it and tell us how you define it.

Mr. BUTZ. Generally speaking, most countries will protect their domestic producer and prohibit the substantial flow of imports of a competitive product into their country.

Senator MILLIKIN. That is all. Thank you very much.

The CHAIRMAN. Any further questions?

Senator GEORGE. I note that you state that there are some people who urge that we refrain from granting Japan any further trade concessions, either directly or indirectly. Japanese trade with this country, Japan imports, of course, are constantly increasing now, are they not?

Mr. BUTZ. Yes, sir.

Senator GEORGE. So far as we are concerned. Is there any long-range hope of preventing a sharp pressure by Japanese manufacturers and producers and fabricators unless Japan can reopen her normal trade market conditions in the other areas of the world with which she formerly traded?

Mr. BUTZ. As I understand it, Senator, one of the purposes of the current Japanese trade negotiations program is to reestablish her normal channels of trade with third countries and establish her trade with third countries.

Senator GEORGE. Even in those areas where we have no specific trade relations at the present time?

I merely wish to say that while I recognize that there are people who urge that there be no trade with Japan, and who do not want Japan to make inroads into her former markets, it seems to me that the administration of this act and the whole administration, for that matter, must be conscious of the fact that there is no way to relieve an increasing pressure from Japanese products in this market unless Japan can reestablish her markets, her former markets; that is, in areas in which she formerly traded.

Everyone of us knows, in Congress, of course—and generally you know in your Department—that there is considerable opposition to any suggestion that trade be carried on by any country that receives any benefits from the United States, either by way of economic aid or otherwise, trading with people behind the Bamboo Curtain or the Iron Curtain or any other sort of curtain which is dropped down across the world.

But it does seem to me—and I am merely stating it regardless of whether it is a popular view or an unpopular view—that there is no ultimate way of escaping keen competition from Japan in our market and in neutral markets in which we both trade, unless Japan can reestablish her trading relations with parts of the world with whom many people in this country feel that Japan should not be trading.

I am not in opposition to what you said regarding Japan. There is, of course, an obligation resting on us in a peculiar way so far as Japan's economy is concerned, and I think we must all realize, who

have any familiarity with this problem, that Japanese competition is growing keener and keener and keener in this country already, and it will constantly increase. The one ultimate long-range hope is that Japan may get into the markets that she formerly occupied and relieve some pressure on our markets here or on neutral markets in which both can trade.

Mr. BUTZ. I think it is only fair to point out, though, that in the case of Japan, as in the case of any other country, whenever they sell goods in this country and receive dollars for them, ultimately those dollars come back to buy something else made in this country.

Senator GEORGE. I recognize that. Yet it is very difficult for the manufacturers in this country, let us say, of textiles—I happen to be a little more familiar with that, and I see here at the end of the table Senator Flanders, who is also familiar with it—it is very difficult for the textile manufacturer in this country to escape the feeling that he is doing more than his part in rehabilitating Japan and in enabling her to earn more dollars.

It seems to me the only sensible, long-range policy is one which must be carried on not merely through trade regulations, through negotiations of trade agreements, but through a willingness here to encourage Japan to reestablish markets in areas where she formerly had markets, where she could dispose of much of her goods.

That isn't involved in this bill so much, but you do recognize, of course, that we have a problem and we have certain opposition even to a liberal view on that point.

But it seems to me that it is a view that must prevail if we are to soften the competition with which we must contend in the case of Japan, since she is a great manufacturing nation in the Western Pacific.

Senator CARLSON. Mr. Secretary, I have seen figures that would lead me to believe that the farmer or agriculturalist was being out-traded in the reciprocal trade agreements. I believe the figures are correct. I do not have the volume. I can get that. For the years 1951-53, a 2-year period, the agricultural exports declined 31 percent. That is the value it declined, 31 percent, while the exports of industrial commodities increased about 6 percent. Would that be correct?

Mr. BUTZ. That is approximately correct. I have the figures here if you want them.

Senator CARLSON. In view of that statement, what assurance do we have or what can we rely on to feel that agriculture will be given its proper share and proper consideration in writing these reciprocal trade agreements?

Mr. BUTZ. I think it is appropriate to point out that in the last 2 years our agricultural exports have been increasing in the face of a declining total export picture. From 1952 to 1953 our agricultural exports increased approximately 4 percent, and from 1953 to the current fiscal year 1954-55, we estimate they are going to increase approximately 10 percent.

Senator CARLSON. Now, Mr. Secretary, can you put that in acres of production? I noticed in your paper you state that we were exporting the production from 14 million acres of wheat, 6 million acres of cotton. How much is that increase from 1953 to 1954 in terms of acres of production?

Mr. BUTZ. Roughly, it would be approximately 4 million to 5 million acres equivalent.

Senator CARLSON. The reason I bring it up is I am advised we lost the production of 20 million acres during that 2-year period 1951-53.

Mr. BUTZ. Yes, sir.

Senator CARLSON. I think it is important from the agricultural standpoint that we bear in mind that in this Nation we are required through legislation to reduce acreage and these acreage productions get back in the export market at least a part of it. It is so important to agriculture that we keep in mind that they do secure their fair share of the trade in the international picture when these agreements are written.

I am pleased to see that you are making some progress in regard to the increase of farm exports. I would like to have for the record the value of the farm exports, if you have them, for 1950, 1951, 1952, 1953, 1954, and 1955.

Mr. BUTZ. Yes, sir; we can insert those right now. These are for the fiscal year beginning July 1, 1951, which was our high year in farm exports.

In the year 1951-52 we exported \$4,053 million worth; 1952-53 we exported \$2,819 million worth.

The year 1953-54, \$2,932 million. In the year 1954-1955, we are estimating, based on our progress the first 7 months, \$3,250 million, which is an increase of 10 percent over the previous year.

The CHAIRMAN. May I ask this question. Do these figures include the value of food that we have given away, exported?

Mr. BUTZ. Yes.

The CHAIRMAN. Could you advise the committee as to the extent of giveaway programs for which we received no compensation or partial compensation and relate them to these figures?

Mr. BUTZ. Yes, sir, Mr. Chairman. We will have to insert that in the record, I think.

(The information requested is as follows:)

Government programs stimulating United States agricultural exports, fiscal years 1950-51 through 1954-55

[Million dollars]

Program	1950-51	1951-52	1952-53	1953-54	1954-55 ¹
Grants:					
Foreign Operations Administration:					
Regular ²	966	510	376	250	220
Special ³			1	107	150
Army civilian supply program ⁴	175	68	58	24	3
USDA—sec. 416 donations ⁵	47	2	(*)	67	133
Total.....	1,188	580	436	448	506
Loans:					
Pakistan and Afghanistan.....			16		
Spanish.....		12			
India grain.....		172	18		
Export-Import Bank ⁷	14	89	62	113	75
Total.....	14	274	96	113	75
Sales for foreign currency:					
FOA—sec. 550 ²				116	125
FOA—sec. 402 ⁸					350
USDA—Public Law 480, title I ⁹					453
Total.....				116	928
Barter (Public Law 480, title III) ¹⁰					200
Export subsidies:					
Sec. 32 ¹¹	24	17	12	13	4
IWA ¹²	100	128	121	51	31
Total.....	124	145	133	64	35
Grand total.....	1,326	999	665	741	1,744

¹ 1954-55 actual expenditures will be less than the total amounts shown due to lapses and lags. Such lapses and lags are excluded from the totals shown for previous years.

² Paid shipments except 1954-55 which is difference between procurement authorizations and paid shipments at start of year; [and July-December obligations for programs outside Sec. 402 of \$15 million.]

³ 1953-54—East German relief, famine relief, Operation Reindeer; 1954-55, estimated \$150 million commitments Public Law 480 title II (including Operation Poinsettia).

⁴ Shipments for all years; 1954-55 through December

⁵ Export values except 1954-55 which represents dollar value of CCC disposition commitments through January.

⁶ Less than half.

⁷ Disbursements except for 1954-55 which is value of commitments through March 1.

⁸ Obligations through December for foreign currency sales under sec. 402 of Mutual Security Act of 1954; part of this total will be exported in 1955-56.

⁹ Budget Bureau ceiling for 1954-55; part of this total will be exported in 1955-56.

¹⁰ Expected commitments 1954-55; part of this total will be exported in 1955-56; contracts for export in past 5 years totaled \$110 million but yearly totals are not readily available.

¹¹ CCC payments to exporters through December in 1954-55.

¹² CCC payments to exporters through January in 1954-55.

NOTE.—Above figures are program disbursements for exports and are not comparable with the value of exports as reported by Bureau of the Census. Also, due to differences in methods of valuation, value comparisons among programs and total do not apply to quantities of commodities involved.

Source: Trade Statistics and Economic Geography Branch, FAAD-FAS-USDA—March 4, 1955.

The CHAIRMAN. But they are included. In other words, if we give wheat, butter, and so forth, are they included, at the market price in this country, as an export?

Mr. BUTZ. Yes, sir.

Senator WILLIAMS. When you sell these commodities at a reduced price, in computing this figure, are they carried at the cost figure or the sales price, which might be greatly reduced?

Mr. BURMEISTER. They are carried at the sale price.

Senator WILLIAMS. Actual sale price?

Mr. BURMEISTER. Yes, sir.

Senator CARLSON. Mr. Secretary, following along the same line, do you have the export figures in bushels for wheat in the years 1951, 1952, 1953, on up to the present date? If you do not, I would like to have them for the record.

Mr. BUTZ. I think we should provide them for the record.

Senator CARLSON. That will be very satisfactory.

(The information requested is as follows:)

United States exports of wheat during stated periods and export sales recorded under the International Wheat Agreement

(In terms of grain equivalent) ¹

Season	Total exports ²	Sales under IWA ³
	<i>Million bushels</i>	<i>Million bushels</i>
Average 1934-35 through 1938-39.....	45 2	
1945-46.....	389.6	
1946-47.....	396.7	
1947-48.....	485.4	
1948-49.....	504 0	
1949-50.....	305 4	162 6
1950-51.....	366 0	248.9
1951-52.....	475 0	255 3
1952-53.....	317 1	251.1
1953-54.....	216 6	106 2
July-January 1954-55.....	⁴ 146.5	⁵ 83.5

¹ Includes wheat, wheat flour, macaroni, and semolina.

² Compiled from monthly reports of the Bureau of the Census, U. S. Department of Commerce, or marketing seasons beginning July 1 and ending June 30.

³ As recorded by the International Wheat Council in London for the marketing season beginning Aug. 1 and ending July 31.

⁴ Includes official figures for July-December and an estimate for January.

⁵ Sales recorded through Jan. 28.

Source: Compiled in the Grain and Feed Division, Foreign Agricultural Service.

I find in checking some figures of my own, we have had some rather serious difficulties in the export of wheat during the past 2 or 3 years, even under the international wheat trade agreements—we are having rather serious problems. I wonder if you know offhand about how many million bushels you have exported under the International Wheat Trade Agreement Program the last year or anticipate this current fiscal year.

Mr. BURMEISTER. I don't recall the figures offhand.

Senator CARLSON. If you have it, I will be glad if you will put it in the record.

Mr. BUTZ. We anticipate a total of approximately 250 million bushels this year. How much is under the International Wheat Agreement, I am not prepared to say.

Senator CARLSON. A total export of 250 million?

Mr. BUTZ. Approximately.

Senator CARLSON. Two or three years ago we were exporting as much as 450 million bushels.

Mr. BURMEISTER. That is correct.

Senator CARLSON. There is another phase that gets into agriculture, of course, and that is on the livestock situation. We have gone through in the last 2 or 3 years a very serious decline in livestock prices and at the present time we have somewhat stabilized the market, and I think it is in fairly satisfactory shape to the people who have been able to shift over in this operation.

What about the imports of meat and cattle at the present time, meat and live cattle?

Mr. BURMEISTER. You understand that the border has just been opened for Mexican cattle.

Senator CARLSON. That is correct.

Mr. BURMEISTER. The Mexican Government has placed a quota on the exportation of cattle to this country of 346,000 heads; that is cattle and equivalent of meat, for the year 1955. They have split the quota into 2 parts, for the first 6 months and for the second 6 months. Due to the fact that at least 1 State exported its 6-month quota in the first 2 months, permission has been given to export a part of the second 6-month quota, so that I believe that exports in the first 2 months will run about 140,000 head. I believe that is the figure. So the imports of Mexican cattle are coming in, but at a more or less regular rate, not a rush.

Senator CARLSON. On that basis, we are 2 months in the new year—January and February—and we have imported approximately their full quota for 6 months.

Mr. BURMEISTER. Yes, that is true, but you see, with the exception of just a few of these minor States that may get some of their second 6-month quota, imports will slow down now. Most of these cattle are going into feed lots in this country, or are going to grass.

Senator CARLSON. In other words, they are mature cattle.

Mr. BURMEISTER. That is right.

Senator CARLSON. What concessions did we get when this quota went off? Were there any changes in our tariff regulations with Mexico?

Mr. BURMEISTER. No, sir; we have no trade agreement with Mexico at the present time.

Senator CARLSON. I think that is all, Mr. Chairman.

The CHAIRMAN. Senator Barkley?

Senator BARKLEY. Can you tell us what the economic reason was for the decline in the dollar value of agricultural exports from 1951 for the next year or two?

Mr. BUTZ. Yes; I think there were two primary reasons, Senator. The first one was the decline in our expenditures abroad for military purposes, and some decline in the level of our foreign assistance program.

The second reason was, I think, the recovery of world agriculture in many places around the world.

Senator BARKLEY. Taking the 2 or 3 years from 1951 to 1953 as a whole, did you find our domestic price level having anything to do with the falling off in dollar value of our exports in agriculture?

Mr. BUTZ. I don't think that that would have anything to do with the falling off of the dollar value in our exports. It may have had some, because the unit value of what we exported was at a little lower value. On the other hand, it made purchases in this country somewhat more attractive.

Senator BARKLEY. The price level, say, for cattle and our agricultural products as a whole have been lower in 1953 and 1954 than they were in 1951. If we exported the same quantity in all those years, the dollar value would automatically decline.

Mr. BUTZ. That is right, Senator, except we export very little cattle, for example.

Senator BARKLEY. I understand that.

Mr. BUTZ. This year our exports are up from last year. I think, Mr. Chairman, if I may, the committee might be interested in these figures for the first 7 months of the current fiscal year.

We group our agricultural exports in 6 major groups and compare them with the corresponding 7 months of the previous fiscal year. This year our cotton exports for the first 7 months of this fiscal year were \$433 million compared with \$298 million the year before.

Our tobacco exports the first 7 months were \$230 million compared with \$222 million the year before.

Our grains and feeds were down a bit from the year before, the only major classification that showed a decline. We had \$471 million exports of grain and feeds compared with \$549 million the year before.

For vegetable fats and oils, \$206 million this year compared with \$119 million the year before.

Fruits and vegetables, \$136 million this year compared with \$125 million the year before.

Livestock and livestock products, \$215 million this year compared with \$198 million the year before.

If we total all of those, we get \$1,819 million the first 7 months of this year compared with \$1,669 million the year before or a 9-percent increase the first 7 months this year compared with the first 7 months last year.

Senator BARKLEY. Taking tobacco, in which my State, as you know, is profoundly interested, how does the dollar value compare with the poundage of exports? Is there a variation there between the two?

Mr. BUTZ. The poundage also is larger this year than the year before.

Senator BARKLEY. You say we have trade agreements now with 34 countries.

Mr. BURMEISTER. That is correct.

Senator BARKLEY. Are there some countries with which we previously had trade agreements with which we have none now?

Mr. BURMEISTER. Yes, sir.

Senator BARKLEY. How many of those countries?

Mr. BURMEISTER. I will have to count them up. Mexico is one, I know. There are some of the Iron Curtain countries with which we do not have a trade agreement. I don't have the figures with me.

Senator BARKLEY. During the previous hearing on one of these previous extensions of the Trade Agreements Act, when I was a member of this committee, it was stated that our trade with the countries with which we had trade agreements from the very beginning of this

program had increased to a larger extent than the countries with which we had no agreements. Would you be able to say whether that is true now?

Mr. BURMEISTER. Yes, sir; I believe that is true now.

Senator BARKLEY. My recollection is—I wouldn't guarantee it—that our trade with countries with which we had an agreement had increased some 27 percent, whereas our trade with other countries had increased a very small percentage, would that be true now?

Mr. BURMEISTER. I would like to verify that figure, but that is the general trend; yes, sir.

Senator BARKLEY. Have there been any difficulties in making trade agreements with any country due to the fact that we only have had, for the last year or two, 1-year extensions instead of 3?

Mr. BURMEISTER. I don't believe we have attempted any agreements in the last 2 years.

Senator BARKLEY. Would that be due to the fact that there is only 1 year's extension of the life of the act?

Mr. BURMEISTER. That would have something to do with it. But I think, in general, we had reached a period when the world situation was such that it wasn't favorable for entering into trade agreements. What I am trying to say is, we are approaching the period now where we think that it is a good time to trade again, and introduce new trade agreements.

Senator BARKLEY. There has been a slogan coined in the last year or two—trade and not aid. Will the extension of this act for 3 years, in your opinion, enable us to increase our trade and decrease our aid to certain countries?

Mr. BUTZ. We certainly think so, Senator.

Senator BARKLEY. I think that is all, Mr. Chairman.

Senator MILLIKIN. Mr. Chairman, may I ask a question, please?

What do the Japanese pay for our wheat?

Mr. BUTZ. They pay the world price for our wheat. It is running currently around \$1.75 to \$1.80.

Senator MILLIKIN. What does our domestic manufacturer of wheat products pay?

Mr. BUTZ. They pay the domestic price, whatever it happens to be.

Senator MILLIKIN. Which is what?

Mr. BUTZ. It varies geographically. It runs around two and a quarter.

Senator MILLIKIN. This is a kind of a mouth twister, but I am thinking of one case, the product, monosodium glutamate, which is made by Japan. Japan makes it out of wheat. We can make it out of wheat. Maybe we do make some out of wheat. It is a flavor enhancer. But we also compete with the same product that is made by Japan, which buys our wheat to make the product and buys it, of course, at less than do our domestic manufacturers of the same product.

How would you say that ought to be adjusted?

Mr. BUTZ. In the case of monosodium glutamate, the Japanese manufacturers have moved substantially into the world market. Our own domestic producers of that product have had an expanding domestic market for that product, also.

I am not familiar enough with the details of the case to answer your question specifically as to what we should do in the world market.

Senator MILLIKIN. I have a case in mind where they make the same

product out of byproducts from the manufacture of beet sugar, and they have just finished a plant costing several millions of dollars, in this country. Obviously, if the Japanese with their other labor advantages can buy the raw product at a much cheaper price than we can buy it, unless we take that into account in making our trade agreements, we will put our own people out of business.

Mr. BUTZ. The Japanese manufacturers are not now invading the domestic market in any substantial quantities.

Senator MILLIKIN. But they can. They are able to dispose of their product over the rest of the world, but there is no reason why they cannot enlarge their market in this country if they can do so advantageously. Would you gentlemen give that some thought?

Mr. BUTZ. Yes.

The CHAIRMAN. Any other questions?

Senator FREAR. Mr. Chairman, I have some questions.

Mr. Butz, do you know of any agricultural products that have been directly exchanged with foreign countries for strategic materials?

Mr. BUTZ. Yes. We are doing that under Public Law 480 on a barter basis.

Senator FREAR. Yes. What are the agricultural products that you are bartering?

Mr. BUTZ. We have been bartering, primarily, wheat and some corn, tobacco, cotton—those are the principal ones.

Senator FREAR. With what group of nations are you doing that? I mean: Are they limited to Europe, Asia, Africa or South America, or are they pretty universal?

Mr. BUTZ. In the main, they are the nonbloc countries that have strategic materials that we can use in our stockpile.

Senator FREAR. Are you doing any with bloc countries?

Mr. BUTZ. No, sir.

Senator WILLIAMS. Could you furnish this committee with a list of the commodities which you have traded and which you received in return and supply that for the record?

Mr. BUTZ. Yes, indeed, we can do that.

(The information requested is as follows:)

BARTER PROGRAMS

Summary of operations, July 1, 1949, through Feb. 28, 1955

Approximate total exchange value of negotiated contracts-----	\$245, 000, 000
Deliveries of materials-----	137, 573, 000
To be delivered ¹ -----	117, 427, 000
Agricultural commodities delivered-----	152, 218, 000
Strategic and nonstrategic materials delivered-----	137, 573, 000
Excess ² -----	14, 645, 000

¹ To be delivered through June 30, 1956.

² Represents excess of agricultural commodities delivered over receipts of material for which contractors have provided adequate financial coverage in form of irrevocable letters of credit or cash deposits.

NOTE.—It should be noted that the manner in which barter contracts are usually carried out prevents us from knowing in advance the particular agricultural commodities that will be exported under the contract. In other words, when a contractor agrees to deliver \$1 million in materials in return for \$1 million in agricultural commodities, he is not required at that time to designate any particular agricultural commodity he will receive. He may make selections from wheat, corn, dairy products, etc., from time to time—as available and at CCC determined market prices over the life of his contract, or anywhere from 6 to 18 months from the inception of the contract (usually paralleling delivery schedule of materials and depending on size of the contract). Consequently, CCC does not ordinarily know what commodities will move under a barter contract until it is completed.

*Agricultural commodities delivered to contractors July 1, 1949, through
Feb. 28, 1955*

	Quantity	Exchange value
Wheat.....bushels	51,756,000	\$116,055,000
Corn.....do	10,558,000	18,591,000
Grain Sorghums.....do	2,237,000	2,862,000
Flaxseed.....do	750,000	1,703,000
Tobacco.....pounds	3,023,000	1,765,000
Cotton—Upland.....do	28,164,000	8,577,000
Cottonseed oil.....do	23,237,000	2,632,000
Peanuts.....do	360,000	33,000
Total		152,218,000

NOTE.—Above quantities and exchange values are rounded figures based upon operating records. Consequently, they are subject to adjustment upon final accounting and closing of contracts.

Materials delivered by contractors July 1, 1949, through Feb. 28, 1955

Strategic and critical materials—chrome ore, industrial diamonds and bort, feathers and down, long-staple cotton, mercury, raw silk, platinum, beryl ore, ferrochrome.....	\$88,722,000
Nonstrategic materials:	
Fertilizer.....	\$46,956,000
Raw silk.....	839,000
Wool blankets.....	262,000
Asphalt.....	794,000
	48,851,000
Total	137,573,000

NOTE.—Above exchange values are rounded figures based upon operating records. Consequently, they are subject to adjustment upon final accounting and closing of contracts.

Senator WILLIAMS. Under Public Law 480.

Mr. BUTZ. Yes. We have had a rather vigorous barter business. The first 6 months of the current fiscal year it was almost \$100 million.

Senator WILLIAMS. Would you supply us with the complete list of what you gave and what you received?

Mr. BUTZ. We will be glad to insert that in the record.

Senator MILLIKIN. May I ask a question.

Have you a list of the bilateral agreements that are over the face of the earth which affect agricultural products and which virtually eliminate competition?

Mr. BUTZ. Our Foreign Agricultural Service has a complete list of those agreements.

Senator MILLIKIN. Will you provide those for the committee?

Mr. BUTZ. Yes; we can do that.

(The information requested is as follows:)

BILATERAL AGREEMENTS OF IMPORTANCE TO AGRICULTURAL TRADE

Several countries, particularly those that are not members of GATT, conduct a large part of their trade negotiations through bilateral agreements. In 1953 about one-third of the total trade of Latin American countries was conducted through bilateral trade agreements, with Argentina and Brazil being the leaders in this type of negotiation. Most of the Japanese agreements, except those with the United States and Canada, are conducted through bilateral trade pacts, and many Near Eastern countries have entered into numerous bilateral trade agreements. Trade between the Soviet bloc and the free world is conducted almost entirely through the mechanism of bilateral agreements.

Bilateral agreements are normally defined as agreements between two governments which provide for some mutual balances of trade, payments, or both. Very often they are merely statements of intentions to trade and sometimes two coun-

tries may merely exchange lists of commodities they would like to trade without making any commitments. In other cases they may involve definite commitments specifying quantities and prices of commodities likely to be exchanged, and some agreements may involve a form of barter.

The trade agreements listed below include some of the larger agreements affecting agricultural products that were in effect during 1954 and early 1955. While these are by no means all of the agreements now in effect, they indicate the type of agreements conducted and the major countries in the different parts of the world using bilateral agreements.

EXAMPLES OF BILATERAL TRADE AGREEMENTS IN LATIN AMERICA

Brazil-Bolivian agreement.—An agreement was signed December 24, 1953, providing for the exchange of \$4.1 million of Brazilian goods for \$4 million of Bolivian exports. The principal Brazilian products are sugar, \$1.8 million; cotton, \$0.9 million; rice, \$0.2 million. The principal Bolivian exports are rubber, \$1.5 million; and tin concentrates \$1 million. The agreement was for 1 year, subject to renewal.

Brazil-Poland agreement.—A trade agreement was signed November 1954 for trade totaling \$14 million, payments to be made in accordance with the payments agreement signed April 1, 1954. Brazil will export iron ore, coffee, cacao, and leather; and import petroleum drilling and coal-mining equipment, newsprint, coal, agricultural machinery, X-ray film, zinc oxide, potash, and battery carbon. The agreement will run for 1 year.

Brazil-Portugal agreement.—An agreement was signed on November 9, 1949, for trade between the two countries. An exchange of notes signed September 14, 1954, in connection with this agreement specifies that Portugal will take necessary measures to promote imports from Brazil of approximately 238 million escudos annually, while the Brazilian Government will permit imports from Portugal of 180 million escudos, the balance to be applied against the existing indebtedness of Brazil, which then totaled \$1,600,000. Portuguese products concerned are cork, cassiserite, tar, turpentine, sulfur, olive tree seedlings and other live plants, steel files, olive oil, olives, toothpicks, wines, sundry products. Brazilian products covered include sugar, cotton, hides and skins, piassava, tripes, lumber, tobacco, and sundry products.

Brazil-Uruguay.—An agreement was signed December 18, 1953, involving a two-way exchange of goods valued at \$38 million. Commerce between the two nations is authorized in accordance with lists of specified products. The principal Brazilian products include cotton, \$7 million; sawed pine lumber, \$6 million; yerba mate, \$6.5 million; sugar, \$4.5 million; tobacco, \$3 million; cedar and other hardwood lumber, \$2 million; coffee, \$3.5 million. The principal Uruguayan products include wheat, \$18 million; frozen meat, \$8 million; livestock for breeding, \$4.2 million; cork disks and tubes, \$2 million. The two governments agree to consider proposals for revision of the trade lists within 90 days of expiration of each yearly period.

Brazil-Czechoslovakia.—A trade agreement was signed between the two countries on May 17, 1950, under which lists of products are agreed upon periodically. Notes exchanged in 1952 call for the exchange of \$15 million of Czechoslovakian products and \$16.2 million of Brazilian products. The principal Brazilian products include coffee, \$2.8 million; hides, \$6.5 million; cacao, \$1.2 million; cotton, \$2.5 million, sisal, \$0.8 million; and lesser amounts of other agricultural and forest products. The Czechoslovakian products cover a wide range of industrial items, but also include malt, hops, and seed potatoes.

Brazil-France.—An agreement was signed on July 14, 1951, and subsequently extended and modified. Under the 1953 modification Brazil agrees to export to the French zone commodities valued at \$132 million and import from that country products valued at \$128.9 million. The principal Brazilian products are coffee, cotton, tobacco, cacao, raw wool, pine lumber, and oranges. The principal French products are machinery, material for petroleum refinery, railway material, lead, tinplate, tractors, industrial equipment, and fertilizer.

Cuban-French payments agreement.—Under the extended agreement, text of which was published May 26, 1954, France is to purchase 230,000 tons of Cuban sugar. Payment is to be made half in dollars and half in special account francs to be liquidated with dollars if necessary, by August 10, 1957. The Cuban Gov-

ernment is committed to facilitate the use of the francs in this special account for merchandise imports and shipping costs, i. e., to promote imports from France.

Anglo Cuban trade agreement.—Under this agreement the United Kingdom undertakes not to discriminate against Cuban sugar except with regard to Commonwealth supplies. It agrees not to enter into any agreement with any foreign-supplying country other than a Commonwealth source or to otherwise take any actions or measures which would adversely affect the relative position of Cuba in the United Kingdom sugar market. The United Kingdom will also authorize imports of \$750,000 worth of cigars in 1954 and \$1 million worth in each of the calendar years 1955 and 1956. Cuba in turn has undertaken that import duties on United Kingdom goods would not be higher than those set out in a schedule attached to the white paper (published copy of Exchange of Notes between United Kingdom and Cuba) and "Shall in any event not be higher than the rates leveled on like good grown, produced or manufactured in the United States when imported into Cuba."

Cuban-Austrian trade agreement.—In summary, the principal terms of this agreement are:

1—Reciprocal granting of most-favored-nation treatment in commercial matters.

2—Austria is committed to purchase 10,000 tons of Cuban sugar in both 1954 and 1955.

3—Austria is committed to purchase 50 tons of Cuban leaf tobacco in both 1954 and 1955 and to provide for consignment marketing in Austria of Cuban cigars.

4—Austria is committed to purchase \$400,000 worth of miscellaneous Cuban products during both 1954 and 1955.

Cuba-West Germany trade agreement.—The German Government binds itself to import the following quantities of Cuban sugar: 150,000 long tons in 1953, 175,000 tons in 1954 and 175,000 in 1955. Other products valued at \$2 million per annum originating in Cuba to be imported by Germany are, tobacco, copper, chrome and other ores, sisal fiber, hides, honey and beeswax, pineapples and grapefruit, tripe, rum, sponges, palm leaves, and other products.

The Cuban Government will grant specified tariff treatment to textiles, chemicals, and other German manufactures. All payments between the 2 countries shall be made in dollars of the United States or in other freely convertible currency by mutual agreement between the 2 parties. This agreement was signed May 11, 1953, and is to continue in force 2 years unless previously terminated by either party upon 6 months' notice.

Colombia-Sweden agreement.—Colombia signed a new agreement with Sweden on February 8, 1954, whereby Sweden undertakes to purchase \$6 million worth of Colombian coffee, of which one-half is to be acquired direct from Colombia. All payments are to be made in freely convertible dollars and Swedish goods not on the prohibited list may be imported without limit. Colombia also undertakes to permit unlimited entry of Swedish merchandise importable only from countries having more or less balanced trade or a trade agreement with Colombia.

Colombia-Uruguay.—Colombia signed on December 12, 1953, a payments-and-trade agreement with Uruguay providing for the exchange in either direction of merchandise valued at \$3,650,000. Under this arrangement Colombia would export coffee worth \$1.5 million; cane alcohol, \$1 million; raw sugar, \$0.5 million; tobacco, \$0.350 million; salt, sulfur, and miscellaneous products. Colombia expects to obtain from Uruguay wool yarns, \$1.5 million; wool and wool tops, \$0.7 million; linseed oil, \$0.3 million; denatured and rough tallow, \$0.3 million; milk preparations, \$0.1 million; industrial and edible oils, \$0.1 million; crushed and rolled oats, \$0.1 million; prepared meats, \$0.1 million; and dolomite and other products.

Colombia-France.—A new agreement was signed between Colombia and France in October 1953 substituting for an earlier agreement. It provides that France will purchase a minimum of \$7.5 million worth of coffee and \$500,000 of tobacco. In return Colombia will buy from France glass and china, automobiles, wines, champagnes, and vermouths.

Chilean-Yugoslav trade agreement.—Chile and Yugoslavia signed a trade agreement August 2, 1954, for the fiscal year 1954-55. The commodity lists provide for a \$4 million exchange each way. Chilean exports of agricultural items will include beans and lentils valued at \$100,000 and wool valued at \$250,000. Yugoslav exports to Chile will be mostly industrial items but will include \$150,000 worth of hops and \$50,000 worth of Virginia-type tobacco.

ASIA AND THE MIDDLE EAST

Burma-Ceylon rice agreement.—The Government of Ceylon and the Government of the Union of Burma have concluded a 4-year rice trade agreement commencing from January 1954. Under the agreement Ceylon will buy annually a minimum of 200,000 tons and a maximum of 600,000 tons at the graduated scale of prices agreed to by the two countries.

Burma-Communist China trade agreements.—In an agreement signed in Peking on November 3, 1954, Communist China agreed to take 150,000 tons of rice from Burma in exchange for "Chinese export commodities." It is not certain that the entire 150,000 tons will be actually shipped. Shipment appears to be contingent upon the Burmese purchasing mission visiting China and finding sufficient commodities at prices acceptable to Burma to pay for the rice.

Burma-India trade agreement.—In April 1954 an agreement with India provided for the sale of 900,000 tons of Burmese rice and the settlement of Burma's separation debt to India.

Burma-Japan trade agreement.—Japan and Burma signed an agreement in late 1953 under the terms of which Japan agreed to purchase 300,000 tons of rice from Burma in 1954 and from 200,000 to 300,000 tons annually during 1955-57. Burma agreed to buy machinery, locomotives, and other industrial equipment from Japan.

Japan-Pakistan trade agreement.—A trade agreement between Japan and Pakistan was signed in Karachi on October 29, 1954. Japan agreed to buy £28 million worth of raw cotton, jute, hides and skins, rice, and several other minor items. Pakistan agreed to buy an equal value of textiles, iron and steel, capital goods and machinery, and miscellaneous commodities. The period covered by the agreement was from September 15, 1954, to September 14, 1955.

Ceylon.—A 5-year China-Ceylon agreement was negotiated in 1952 which obligates China to sell 280,000 long tons of rice to Ceylon at a price subject to renegotiation annually. Ceylon is obligated to supply China with 50,000 long tons of sheet rubber, the price of which is also subject to annual renegotiation.

Under a 4-year India-Ceylon agreement negotiated in 1952, Ceylon agreed to take certain specified measures to facilitate the importation of Indian cigarette-type-tobacco and bidis (a type of cheap Indian cigarette), and of Indian cotton towels and toweling. India granted Ceylon a concessional rate of duty on the importation of 1.5 million pounds of chewing tobacco.

India.—Several Indo-Argentine agreements, involving a large-scale exchange of goods, have provided for the exchange of Indian jute goods for Argentine wheat and other agricultural commodities.

In 1954 the Indian Government negotiated a sale to Communist China of approximately 10 million pounds of Indian tobacco.

Egypt.—Egypt uses bilateral agreements extensively in the promotion of cotton exports to all possible countries. In 1953 at least half of Egypt's foreign trade was with countries with which it had agreements.

Illustrative of these is an agreement with Western Germany in 1951 which has been extended on a year-to-year basis with a swing credit of \$10 million. It provided for the movement of \$50 million worth of cotton and relatively small amounts of other Egyptian commodities to Germany. German exports listed in the agreement represent several industries, largely steel, metal, machinery, and chemical.

The Egyptian agreement with the U. S. S. R. and Rumania could be considered a barter arrangement whereby the Egyptian currency received for petroleum products (principally kerosene) is used to buy cotton.

In January 1955 a barter deal with Hungary was announced whereby the Egyptian railroads will receive 100 passenger cars in return for rice of the same value, i. e., about \$2.4 million. The Cairo press reports a similar barter transaction involving cotton is presently under consideration.

The Greek-Egyptian agreement differs somewhat. No commodity lists are included in the agreement but under liberalized import regulations, Greece provides "invisibles," probably shipping, tobacco and cigarettes, olives and olive oil, raisins, figs, etc. Egypt makes payment largely with raw cotton, which Greece reexports.

Turkey.—Turkey's economy has expanded rapidly in the postwar period. Its development and defense programs continue to require large imports of capital goods and consumer durables are in demand. Exports, largely farm products and minerals, have not been sufficient to pay for import requirements, with the result that Turkey currently suffers from a serious cumulative balance-

of-payments deficit. Consequently recent discussions relative to extension of its bilateral agreements, which have been an important factor in Turkish foreign trade, have included the question of settlement of commercial arrears. Reportedly, agreements have been reached recently with West Germany and the United Kingdom whereby the latter will continue to export industrial goods to Turkey as Turkey works off its delinquent credits through exports of agricultural products at world prices.

The Japanese-Turkish agreement is probably the most recent bilateral signed by Turkey. It is valid through July 1955 and if renewed by tacit agreement, new commodity lists will be made up. Japan will make an effort to buy Turkish wheat and tobacco but no total is fixed for these two commodities. Turkish goods to be supplied to Japan specifically include \$3 million of cotton and oilseeds, wool, hides and skins, minerals and other products with a combined value of about \$3.5 million. Japan will export diverse manufactures to Turkey, particularly cotton piece goods, machines and accessories, iron and steel, and tires and tubes.

EUROPEAN AGREEMENTS WITH NON-COMMUNIST COUNTRIES

France-West Germany.—The most recent extension of the trade agreement between France and West Germany of January 14, 1953, covers the 6-month period October 1954–March 1955. Most important for agriculture is the provision showing an annual French wheat export commitment of 500,000 metric tons, as compared with 250,000 metric tons provided for in the January 14, 1953, agreement. The list of agricultural products to be sent from France to West Germany also includes, among others, a quota of 54,000 metric tons of grains other than wheat, and meat and slaughter animals to a total of 26,250,000 deutschemarks (about \$6.2 million).

France-Greece.—Under the Franco-Greece trade agreements, covering the year July 1, 1954–June 30, 1955, France granted Greece the following import quotas, among others: tobacco, 4,000 metric tons; dried figs, 500 metric tons; sweet wines and must, 5,000 hectoliters.

France-Spain.—The Franco-Spanish trade agreement for the period November 1, 1954–October 31, 1955, permits the importation into France of 220,000 metric tons of oranges and mandarins, 22,000 metric tons of lemons, 1,200 metric tons of sweet almonds, and 200 metric tons of filberts, as well as various other agricultural and nonagricultural products.

France-Pakistan.—The Franco-Pakistan trade agreement for the period January 1, 1954–June 30, 1955, contains, among the list of agricultural items for export from Pakistan to France, 30,000 metric tons of cotton and 3,000 tons of cottonseed not delinted.

West Germany-Argentina.—A new 3-year German-Argentine trade agreement signed in November 1954 lists the following quotas, among others, for Argentine exports to West Germany: 450,000 metric tons of wheat, 400,000 metric tons of feed grains, 100,000 metric tons of rye, and \$5 million worth of linseed oil.

West Germany-Denmark.—The Danish-West German trade agreement for the year 1954 contained the following quotas, among others, for imports into Germany: Pork (or live pigs), 20,000–25,000 metric tons; lard, 8,000 metric tons; and butter, 12,000 metric tons.

West Germany-India.—Under the West German-Indian trade agreement for the period February 1, 1954, through January 31, 1955, West Germany undertook not to impose quantitative restrictions on the following, among other, imports from India: Vegetable oils, walnuts and cashews, cotton and tobacco (West Germany has also liberalized imports of cotton and tobacco from the dollar area).

West Germany-Sweden.—The Swedish-West German trade protocol covering the year July 1, 1954–June 30, 1955, contains the following quotas for agricultural imports into West Germany: Wheat, 250,000 metric tons; rye and feed grains, 50,000 metric tons; in addition to unspecified, smaller quantities of butter, lard, vegetable oils, and seeds.

Italy-Argentina.—The trade agreement between Italy and Argentina, signed June 25, 1952, to remain in force until December 31, 1958, provides for annual quotas for imports into Italy from Argentina of 500,000 metric tons of wheat, beginning in 1954 (300,000 tons in 1953), and other products, almost entirely agricultural, to a total of \$56.1 million, including \$15.3 million of secondary grains and oilcake, \$6 million of beef, \$14 million wool, \$1.5 million cotton, and \$4.5 million of vegetable oils.

Italy-Pakistan.—Under the Italian-Pakistan trade agreement, effective for 1 year ending June 30, 1954, Italy granted Pakistan quotas of 20,000 metric tons for cotton and 4,000 metric tons for cottonseed, among various other agricultural products.

Sweden-Indonesia.—The Swedish-Indonesian trade agreement for the year June 1, 1954–May 31, 1955, calls for imports into Sweden of, among other products, tobacco, oilseeds and vegetable oils to a total value of about \$5 million.

Yugoslavia-Belgium.—The Belgian-Yugoslav trade protocol for 1954 contains quotas for, among other agricultural imports into Belgium, corn (30,00 metric tons) and tobacco (1,000 metric tons).

TRADE AGREEMENTS WITH THE IRON CURTAIN COUNTRIES

France-Soviet Union.—The present trade agreement was signed on July 15, 1953, and is to run for 3 years. For the first year the volume of trade each way was originally fixed at 12 billion francs (\$34 million). Items originally listed for export from the Soviet Union to France include such strategic commodities as oil, manganese and chrome, together with, among others, furs, canned crab and salmon, and corn (65,000 metric tons); among the items listed later is cotton (7,000 metric tons). Items listed for export from France to the Soviet Union include, among others, cargo ships, boilers, cranes, steel or sheet iron, rayon and cotton goods, and citrus (3,000 metric tons); commodities added later include meat, contracts having been signed for the export of 17,000 tons to the Soviet Union and Czechoslovakia.

France-Hungary.—The trade agreement presently in force is valid for 1 year beginning June 1, 1953, and provides for trade amounting to about 2.5 billion francs (some \$7 million) each way. Hungarian exports to France are to consist mainly of seeds for sowing, oilseeds, fresh goose liver, and tobacco (600 metric tons). French exports to Hungary are to include textiles, chemicals, various other manufactured products, and a few agricultural items, notably fruit (citrus, figs, dates).

Netherlands-Soviet bloc

In May of 1953 the Soviet bloc began buying Dutch livestock products heavily. Altogether the bloc bought 20,824 metric tons of butter, 2,000 tons of cheese and 4,500 tons of meat. Grains, especially wheat, and timber were the major products received in return.

Belgium-U. S. S. R.

A protocol to the 1948 U. S. S. R.-Belgium trade agreement was signed on January 30, 1954. Trade in 1954 is estimated to be double that of 1953 and includes, from Russia: grains, oilcake, forestry products, small automobiles, ferro-manganese, manganese, chrome, gasoline and oil, coal, tar, asbestos, iron, furs, canned food and tobacco. Belgian exports are to consist of lead, fibers, woolen cloth, herring, fats, meat, skins, and vegetable oils, in addition to 20 freight and refrigerator ships and some floating cranes.

Denmark-Soviet bloc

Previous trade agreements were extended calling for additional deliveries of butter to U. S. S. R. in December 1953 and January 1954. This brought the total amount of butter delivered or contracted for in 1953–54 to 20,000 tons.

Under a trade agreement of February 9, 1954, for the year March 1, 1954–February 28, 1955, Denmark is to export to Hungary tool machinery, machinery for the food industry and other machinery, lard, seeds, and other agricultural products, fish and pharmaceuticals. Hungary is to deliver feedstuffs, textiles, and machinery. Total value of the trade in each direction is estimated at barely \$3 million.

West Germany-Soviet bloc

Soviet Union.—It is reported that in October 1953, for the first time since the war, direct trade contracts were concluded with the Soviet Union. A private firm bought 9,000 tons of Russian wheat, and another oil. Payment was to be made in cash, in dollars and Swiss francs.

Hungary.—A trade agreement covering the year 1954 reportedly calls for Hungarian deliveries worth \$21.3 million, and West German deliveries worth \$20 million. Hungarian deliveries are to include \$16.4 million worth of agricultural products. German deliveries are to include chemicals, textiles, iron and steel, and other industrial products.

Rumania.—In February 1954 West Germany and Rumania concluded a trade and payments agreement for the year 1954—providing for substantial expansion of trade to \$16 million in each direction. Rumania is to export to Germany mainly wheat, feed grains, and some livestock products, plus timber and oil products.

Sweden-U. S. S. R.

In January 1954 Sweden and the Soviet Union signed a protocol to their trade and payments agreement of 1940 which is to provide for an appreciable expansion of trade between the two countries. Swedish imports are to include greatly expanded takings of crude oil, 10,000 tons of corn, 30,000 tons of oil cake, some tobacco, as well as quantities of chromium ore, manganese, and anthracite. Swedish exports to the Soviet Union are also to be expanded with greater emphasis to be laid on consumer goods and capital goods for the production of consumer goods. Quotas have been agreed for butter (5,000 tons), staple fiber (5,000 tons) and other products. It is calculated that trade between the two countries will amount to about twice the value of 1953.

Italy-Soviet bloc

Bulgaria.—Clearing agreement with Bulgaria was signed and went into effect September 1, 1953, effective until December 31, 1954, to be automatically extended annually thereafter unless either party denounces it at least 3 months before renewal date. Bulgaria exports wheat, corn, barley, oilseeds, eggs and poultry and tobacco to Italy in exchange for tobacco, citrus fruit, and nonagricultural products. Trade in each direction called for in agreement probably between 5 and 6 million dollars.

Hungary.—An agreement dated December 16, 1948, was renewed January 1954 presumably to run until December 31, 1954. No details as yet available concerning exchange of goods planned for 1954, except that total both directions approximately 13 billion lire (\$20.8 million). Trade list for 1953 was as follows:

Agricultural:		<i>Chief Italian imports from Hungary</i>	
Cattle for slaughter	head	11,000	
Hogs	do	3,000	
Poultry	metric tons	1,300	
Calves, slaughtered	do	900	
Eggs	do	3,100	
Edible dry legumes	do	3,000	
Barley for malt	do	4,000	
Oats	do	5,000	
Bran	do	5,000	
Live game	million lire	65	
Preserved meat and liver	do	30	
Butter, fresh	metric tons	400	
Wheat	do	20,000	
Malt	do	2,000	
Corn			(¹)
Nonagricultural:			
Nicotine	million lire	100	
Threshing machines	pieces	60	
Tractors	million lire	100	
Various chemical products, etc.	do	550	
Vegetable and grass seeds	do	150	

¹ To be determined later.

Agricultural:		<i>Chief Italian exports to Hungary</i>	
Seeds	million lire	50	
Lemons	metric tons	5,000	
Oranges and tangerines	do	500	
Almonds and filberts			(¹)
Nonagricultural:			
Pyrites	metric tons	2,000	
Sulfur	do	2,500	
Sulfuric acid	do	5,000	
Machine tools	million lire	850	
Various types of machinery	do	510	
Ball bearings	do	750	
Autos and trucks, etc.	do	400	

¹ To be determined later.

Poland.—An agreement of July 1, 1949, was renewed June 19, 1953, to run from July 1, 1953, to July 1, 1954, trade to include the following:

Agricultural:		<i>Chief Italian imports from Poland</i>	
Oats	metric tons	20,000	
Barley	do	10,000	
Seed potatoes	do	5,000	
Kidney beans	do	1,000	
Potato starch	do	1,000	
Sugar beets and forage seeds	do	300	
Sugar (temporary import)	do	5,000	
Eggs	million pieces	45	
Poultry	metric tons	1,000	
Rye	do	5,000	
Nonagricultural imports include:			
Coal	do	1,000,000	
Pig iron	do	3,000	
Steel ingots	do	3,500	
Optical glass	kilograms	1,000	

Agricultural:		<i>Chief Italian exports to Poland</i>	
Lemons	metric tons	5,000	
Oranges	do	1,000	
Rice	do	1,500	
Chestnut extract	do	2,000	
Tobacco		\$2,000,000	
Hemp	metric tons	650	
Nonagricultural:			
Tires and tubes		\$3,000,000	
Ball bearings		\$2,000,000	
Dyes for textiles		\$1,600,000	

Soviet Union.—A protocol signed October 27, 1953, includes the following lists of goods to be traded from October 27, 1953, until October 26, 1954. Italian imports from U. S. S. R. provided for estimated equivalent of \$30 million, and exports to U. S. S. R. for \$27.8 million. Difference to be covered eventually by later deliveries of cargo ships, refrigerator ships, port cranes, etc., which have been ordered by U. S. S. R. from Italy.

Agricultural:		<i>Chief imports from U. S. S. R.</i>	
Hard wheat (amount can be increased by agreement)	metric tons	100,000	
Tobacco		(¹)	
Oilcakes	metric tons	10,000	
Nonagricultural:			
Manganese ore	do	25,000	
Chrome ore	do	15,000	
Anthracite	do	100,000	
Crude oil	do	200,000	
Naphtha	do	100,000	
Sawn timber	cubic meters	100,000	
Furs	million lire	625	

¹ Versus exports of Italian tobacco.

Agricultural:		<i>Chief exports to U. S. S. R.</i>	
Oranges	metric tons	10,000	
Lemons	do	10,000	
Almonds	do	1,000	
Hemp		(¹)	
Tobacco		(²)	
Nonagricultural:			
Textiles of artificial fiber	meters	1,000,000	
Wool textiles	do	500,000	
Also textile machinery, machinery for processing steel plates, chemicals, etc.			

¹ To be determined later.

² Versus imports of Russian tobacco.

BRITISH COMMONWEALTH BILATERAL COMMODITY AGREEMENTS

West Indies-United Kingdom

Fresh and processed fruits.—In mid-1954 the United Kingdom agreed with the West Indies (Jamaica, Trinidad, and Dominica) and British Honduras not to allow importation of any more citrus from the United States without first consulting with the West Indies, particularly with respect to grapefruit and canned segments and orange juice and grapefruit juices.

This agreement was reached in London following conference with the West Indian Regional Economic Committee and chief political and economic officials from Jamaica, Trinidad, and Dominica. United Kingdom agreed to buy any surplus canned grapefruit from the 1954-55 season. Bulk buying and distribution of canned fruits in United Kingdom ended in January 1955.

Citrus fruit.—Jamaica agreement in spring of 1954 with New Zealand for 1 year (revision of previous informal agreements) provided that Jamaica would furnish 70,000 cases of oranges and 30,000 cases of grapefruit. This agreement will undoubtedly be renewed. New Zealand furnishes meat and dairy products to Jamaica.

Ten-year agreement (expiring in 1960) covers purchase by British Ministry of Food of up to 3,500 tons per annum of concentrated orange juice from Jamaica and British Honduras. Information indicates that Trinidad has not yet accepted similar agreement for 1,500 tons. There is strong current agitation for renewal of the agreement with Jamaica and British Honduras before its expiration.

Apples.—There is an unofficial "gentlemen's" agreement between New Zealand, Australia, South Africa, and Canada dividing up the United Kingdom market seasonally for apples (Tasmanian Fruitgrower and Farmer, January 1954).

Dried fruit.—United Kingdom a 1-year agreement (1954-55) with Australia under which the United Kingdom agrees that if the average realized price for Australian dried fruit falls below an agreed amount, the British Ministry of Food will pay a deficiency to the Australian Government. This deficiency did not come into operation in 1954 because of the firm demand for dried fruit on the British market. This agreement will probably be renewed in the same or modified form sometime in 1955.

Southern Rhodesia

Southern Rhodesia Tobacco Marketing Board and British tobacco trade is supplying under a 5-year purchase agreement (extendable each year for 1 more year) an increasing percentage of tobacco to the United Kingdom (about 57.3 million pounds in 1953).

Federation of Rhodesia and Nyasaland

Tobacco agreement with French Union for 1 year (May 1954-June 1955) whereby Federation agrees to furnish specified quantity and grades of tobacco in return for purchase of French wines, liqueurs, foods, cigarette paper, clothing, etc. There may be similar agreements with French West Africa.

Australia, United Kingdom

Under agreement expiring September 30, 1967, the United Kingdom will make a deficiency payment to Australia if the average price realized for beef, mutton, and lamb in the United Kingdom market falls short of an agreed average level. This agreement replaces the former bulk purchase agreement with the British Ministry of Food.

Australia, New Zealand, United Kingdom

For a period of 15 years from October 15, 1952, the United Kingdom Government has undertaken to permit, without restriction of quantity, the sale in the United Kingdom market of Australian and New Zealand beef, veal, lamb, mutton, and edible offal.

Argentina, Uruguay, United Kingdom

Although bulk purchase agreements with Argentina and Uruguay have expired, deliveries will continue for the time being as contract tonnages are still outstanding.

New Zealand, Australia, Denmark

The following bulk purchase agreements with the British Ministry of Food are still in effect for milk products; with expiration dates given: New Zealand (milk powder), July 31, 1955; Australia (butter and cheese), June 30, 1955; Denmark (butter), September 30, 1955.

UNITED KINGDOM BILATERAL AGREEMENTS

In the past few months the United Kingdom has been actively engaged in bilateral trade negotiations with a number of countries. Discussions have been completed with Finland and Argentina, but final terms of the agreements have not been announced. Talks are still in progress with Japan and are not expected to be finalized until late summer. Details of some of the agreements which have been announced are as follows:

United Kingdom-Spain

United Kingdom agricultural imports from Spain during 1955 will consist of citrus fruits, canned fruit, fertilizers (potash superphosphates), and hides and skins in exchange for seed potatoes, raw materials, machinery metals, and other manufacturers.

United Kingdom-Turkey

Under the provisions of this agreement which was signed on January 20, 1955, and which will be effective through 1956, the United Kingdom is committed to import such products as dried fruits, raisins and figs, cotton, tobacco, wheat, and hazel nuts from Turkey. The sterling earned by these imports will be used by Turkey to liquidate commercial debts due United Kingdom exporters for prior exports of goods to Turkey.

United Kingdom-Hungary

United Kingdom completed a trade agreement with Hungary as of September 1, 1954, which is effective until September 1955. Under terms of this arrangement, Hungarian exports to United Kingdom are expected to total approximately \$15 million and will consist of such food items as tomato puree, rice, eggs, and canned meat in exchange for wool tops, rayon yarns, machinery, vehicles, tinsplate, and other equipment from the United Kingdom.

Soviet Union

It was reported in February 1954 that about 15,000 bales of Russian cotton had been purchased by the United Kingdom cotton trade. Negotiations were in progress for these purchases during the summer of 1953. The cotton is reported to be of relatively low staple length and the prices paid were also believed to be relatively low.

Poland

The Polish Government is keenly interested in renewing an agreement continuing exports of foodstuffs to United Kingdom. The United Kingdom, on the other hand, is not interested in a new agreement of long duration nor in increased quantities of imported food items. This is a result of the British Government's present policy of lessening of governmental control, gradual reduction in bulk purchases, and eventual return of trade to private channels.

Bulgaria

Lamet Trading, a combination of British and French interests formed in 1952 to specialize in East-West trade, announced yesterday that it had signed a new barter agreement which provides for the purchase from Bulgaria of approximately 8,600 tons of wheat against the supply to that country of tubes, steel sheets, and rolled steel sections.

Lamet Trading has already carried out barter agreements with Bulgaria and Rumania totaling several million pounds. These transactions involved the purchase from Bulgaria and Rumania of wheat, bristles, timber, and cement, and the supply of large quantities of tinsplate, tubes, wool, etc., from the United Kingdom and a variety of steel products from the Continent. About \$1 million worth of foodstuffs, such as herrings, frozen fish, butter, margarine, and milk powder, has also been supplied by Lamet Trading under these agreements.

The company also stated that it hoped that further considerable new contracts involving British engineering supplies would soon be signed.

TABLE 1.—United Kingdom: Long-term bulk purchase contracts of agricultural commodities

Commodity	Country	Expiration date
Bacon.....	Denmark.....	Sept. 29, 1955.
	Holland.....	Do.
Meat.....	Irish Republic.....	Apr 30, 1956.
	Australia.....	Sept. 30, 1967 (revised in 1954 by minimum price support agreement terminating Sept. 30 1967).
Milk products.....	Irish Republic.....	June 28, 1956 (revised).
	Australia: Butter and cheese.....	June 30, 1955.
Oils and fats.....	Denmark: Butter.....	Sept 30, 1955.
	Fiji.....	Dec 31, 1957.
Concentrated orange juice.....	Australia.....	Do.
	New Zealand ²	Do.
	Tokelau Islands.....	Do.
	Cook Islands.....	Do. ³
	Niue.....	Do. ³
	Tonga.....	Do. ³
	Solomon Islands.....	Do. ³
	Gilbert and Ellice Islands.....	Do. ³
	British West Indies (Jamaica and British Honduras).	End of crop year 1959-60
	Sugar.....	Australia, South Africa and the sugar producing colonies.

¹ Australian agreement for copra and coconut oil is on behalf of Papua and New Guinea, which are Australian protectorates.

² United Kingdom bulk purchase contract for fats and oils with New Zealand covers copra exported from New Zealand, Pacific territories and protectorates (Western Samoa, Cook Islands and Tokelau Islands).

³ Copra.

IRELAND BILATERAL AGREEMENTS

An Irish-German agreement was renewed last October and will be effective through September 1955. The main items of export from Ireland to Germany consist of live cattle and carcass meat and in this renewal, provision is also made for shipments of butter whenever the German supply situation permits. In exchange Ireland will receive textiles, motor cars, and other manufactured items.

An agreement was also signed in Oslo in November 1954 for continuation of a trade agreement between Ireland and Norway. This agreement provides shipments for another year of beef and pork, breeding cattle and limited quantities of canned meat and certain industrial products. No Norwegian products were mentioned in the discussions.

Senator MILLIKIN. Isn't a substantial amount of the world's wheat controlled by the bilateral agreements which are not controlled by the competition of the free movement of wheat?

Dr. BUTZ. There is some.

Senator MILLIKIN. That won't answer my question, there is some. Is it substantial or is it a dribble or what is it?

Mr. BURMEISTER. A great deal of the Argentine wheat is sold on bilateral agreements, and great deal of Turkish wheat is sold on bilateral agreements, when they have wheat to sell.

Senator MILLIKIN. Those are the instances I had in mind, but I would like that expanded to cover the general field of agriculture to the extent you can do that.

Mr. BURMEISTER. We will do that.

Senator FREAR. Dr. Butz, those figures where you make barter agreements, are they included in your agricultural export quantities?

Mr. BURMEISTER. Yes, they are part of the quantity, yes sir.

Senator FREAR. May I ask you when the United States makes a grant of an agricultural product, do they have any control over what happens to those agricultural products when they get into the foreign country? In other words, do we have the permission to tell a foreign country if it is exchanged with a foreign country, that these products cannot go into a particular class of hands and be resold at a much higher price, or do we merely specify how those products shall be handled in that country?

Dr. BUTZ. Yes, sir, we have that authority, and we try to exercise it as completely and as prudently as we can.

Senator FREAR. Are you barred from complete jurisdiction over it?

Dr. BUTZ. I don't know what you mean by "complete jurisdiction."

Senator FREAR. Let me give you an example, and maybe I can bring it out, if I may.

We have made grants of agricultural products to a South American country. I will not mention the country. But we have made two substantial grants.

Dr. BUTZ. You are talking about sales under Public Law 480?

Senator FREAR. I assume that is how they come. It isn't a sale. I believe it is a grant. I don't believe we are getting anything in return. The President, under his authority, made grants—

Dr. BUTZ. I think that is Foreign Operations Administration.

Senator FREAR. I agree with you. I think that is right. Can I ask you a question about that?

Dr. BUTZ. You may ask it, I may not know the details of it.

Senator FREAR. These grants of agricultural products that were made to a South American country, if we have no jurisdiction over them after it reaches the country, then we cannot determine whether it is going into hands that are favorable to the democracies of the world or whether it may be going into the hands of those who are more closely alined with the Communist theory in the world.

Dr. BUTZ. It is my understanding that the Foreign Operations Administration has a country team in each country where it has a program, and that these people do supervise the end use of the products, agricultural products that come under those grants, and attempt to see that they are used as they should be used. Our Foreign Agricultural Service is constantly studying the agricultural products which move among the various countries of the world to detect if they can, any abnormal movements from countries that may be importing substantial quantities of American farm products, to trace the very thing you mentioned.

Senator FREAR. Yes, sir, but if the government of that country says that they are going to take these products and give them to a certain class of people in that country, can we or can we not prohibit it after the product has reached that country? In our agreement with that country, if the government does not see fit to live up to its agreement, is there anything we can do about it?

Dr. BUTZ. I cannot speak for the Foreign Operations Administration. I am quite sure, however, that we can stop shipments of those products.

I think of a similar case where we were giving surplus food products owned by the Commodity Credit Corporation to one of the domestic volunteer relief agencies for foreign distribution. Those volunteer domestic relief agencies must meet certain requirements when they get food for foreign distribution. It must go free of charge to the recipients, the recipient must be a certified relief case.

It must be in packages clearly marked "gift from the United States," and there are certain other restrictions imposed. I recall a case a year ago where that was being violated in a foreign country by this domestic voluntary relief agency. When the violation was discovered, we stopped shipments. We impounded the stocks of foodstuffs on hand and stopped the whole program.

Senator FREAR. Is that a South American country?

Dr. BUTZ. No, sir.

Senator FREAR. I don't want to take too much time. There are many questions on that that I would like to ask, but I will refrain at the moment.

The final question is: Under the present setup of the Tariff Commission, when it gives the facts regarding a request by a domestic producer under the peril point or escape clause, and those facts are presented to the President, do you know how many of those cases have been presented to the President in the last 2 years?

Dr. BUTZ. I cannot tell you exactly. It is a relatively small number—10 or a dozen, or something like that, I think. I am not sure.

Senator FREAR. That is a new figure to me. Anyhow, how many of those has the President acted on?

Dr. BUTZ. I am not familiar with that. I cannot say.

Senator FREAR. Do you think, in your opinion, then, or in the opinion of the Department of Agriculture, for whom you are speaking, that in the extension of this act and with the enlargement of this prerogative of the President, in my opinion, that it will endanger the present escape clause?

Mr. BUTZ. No, sir.

Senator FREAR. You feel, Mr. Butz, as though it will be beneficial to the interests of America to continue to give the President the authority and expand his authority, as the proposal presents itself?

Mr. BUTZ. Yes, sir; I think there is a likelihood that it will facilitate desirable negotiations.

Senator FREAR. Do you think, then, that our relations with GATT will have any particular bearing on the extension of this act?

Mr. BUTZ. I think the two are associated. GATT will provide a mechanism for the countries of the world getting together for reciprocal agreements.

Senator FREAR. And do you think the President's authority granted him presently, and with the enlargement of authority as proposed in this bill would endanger, in any way, the domestic producers?

Mr. BUTZ. In general, I think not. You must always recognize that any tariff reduction will have an impact some place on some group of producers. The question is one of total advantage to our economy and of mutual advantage to the participating free nations of the world.

Senator FREAR. Yes, sir; I understand that perhaps any agreement we make with a foreign country may hurt some particular segment of our economy or production in this country, but the overall picture would be a distinct and greater advantage to us, but eliminating those particular features, the overall picture, in your opinion, would be beneficial if this proposed legislation is enacted?

Mr. BUTZ. I feel confident that would be true.

Senator FREAR. Thank you.

The CHAIRMAN. Senator Flanders?

Senator FLANDERS. My eye has caught the last sentence or two beginning on page 3:

However, if we maintain this higher level of foreign exports, foreign countries will need to get more dollars to buy these farm products from us. One way of achieving this desirable goal is to reduce our tariff barriers to industrial products for Japan and other countries which buy large quantities of American farm products.

I don't know just how you can give me the measure of the situation in billions of dollars or what not, but is there any way that you can express the amount of farm products which are held off the world market because the prices are, by our farm price policy, held above world market prices?

Mr. BUTZ. I think it would be impossible to give specific figures on that.

In general, I think there is truth to what you say.

Senator FLANDERS. I asked a question. I didn't make a statement.

Mr. BUTZ. I cannot answer it specifically. If you wanted a quantitative answer—I feel confident that the Agricultural Act of 1954 with the provisions in it for a gradual and progressive movement toward a flexible farm price support system, will, in itself, help to restore our competitive position in world markets for many of our farm products.

Senator FLANDERS. The second question which arises in my mind is not the reduction of duties on imports, on products of Japan, for instance, a rather clumsy way of compensating for the above world market prices that we are maintaining? Don't we remedy one evil by inserting another?

Mr. BUTZ. I am not sure I get your question. You mean we remedy the evil of high price supports by reciprocal trade agreements?

Senator FLANDERS. Yes. That is in general the idea. It makes an argument for lowering our tariffs. You are using the argument for lowering our tariffs because it will help move our high priced agricultural products.

I am wondering if that is a valid argument to use provided there should be found some way of pricing our farm products at world market prices. In that case, you would lose the argument completely, though it might not necessarily affect your practice. But you would lose the argument.

Mr. BUTZ. Yes. I think, Senator, perhaps the inconsistent thing we do is to have the high price support and then have a substantial subsidy to move our products into exports. It is difficult in my own

mind to relate our domestic price support levels with the question of reciprocal trade agreements with other countries.

Senator FLANDERS. Now I am not asking a question, but making a statement. I will be inclined to wipe out that argument as an argument. Plenty of others remain. But I will wipe out that argument for reciprocal trade treaties and fall back on some that have a better foundation.

Let me ask this question: I assume that if we move our agricultural products into the world market on world market prices that we are accused of dumping.

Mr. BUTZ. Some countries do.

Senator FLANDERS. What is the basis of the accusation of dumping when the sales are made at world market prices?

Mr. BUTZ. I think the basis for the accusation in cases like that is that we maintain a different domestic price level than we offer at the world price level.

Senator FLANDERS. Isn't that a new definition, putting goods on the world market at world prices?

Mr. BUTZ. There are many definitions of dumping. It depends on whose ox is being gored.

Senator FLANDERS. I have difficulty of considering an ox in terms of dumping. We better not pursue that thought.

There is, it seems to me, a basis for dissatisfaction, although you can perhaps scarcely call it dumping, when we subsidize a production much higher than world market prices would have produced, and then, even though we sell that product at world market prices, we haven't exactly dumped, but we have put the burden of our excessive production on the world markets instead of taking care of it ourselves in some way.

Mr. BUTZ. That is right. It is also fair to point out in a case like that, that our own domestic price support level and the withholding of excess supplies off the market in this country has, in effect, provided a price umbrella for other producers in other countries.

Senator FLANDERS. That is self-evident.

That is all.

Senator LONG. Could you supply for the record the wage levels of those industries in the countries from which we are importing these noncompetitive commodities, such as coffee, bananas, tea, cocoa, and sugar?

Mr. BUTZ. That may come from the Department of Labor. Can we get that?

Mr. BURMEISTER. Yes.

Mr. BUTZ. We will attempt to get that.

(The information requested is as follows:)

Selected daily agricultural wage rates, complementary commodities

Commodity and country	Unskilled labor	Skilled labor	Average daily wage
Fibers:	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Mexico.....	(1)	(1)	0.68
British East Africa.....	0.06	0.12	.09
India.....	.20	.30	.25
Philippines.....	(1)	(1)	.90
Tea:			
India:			
Men.....	(1)	(1)	.22
Women.....	(1)	(1)	.10
Children.....	(1)	(1)	.05
Indonesia.....	.31	.40	.345
Ceylon:			
Men.....	(1)	(1)	.26
Women.....	(1)	(1)	.22
Children.....	(1)	(1)	.18
Rubber:			
Thailand ²	1.36	3.20	2.28
Malaya.....	.69	.90	.80
Coffee:			
Brazil.....	1.11	(1)	\$ 3.20
Costa Rica.....	.98	2.41	1.69
Colombia ⁴	(1)	(1)	.66
Mexico.....	.53	1.74	1.14
Cocoa:			
Mexico.....	.53	1.74	1.135
Gold Coast.....	(1)	(1)	.42
Nigeria.....	(1)	(1)	.42
French Cameroons.....	(1)	(1)	.45
Ivory Coast.....	(1)	(1)	.45
Brazil.....	(1)	(1)	1.70
Costa Rica.....	.98	2.41	1.69

¹ Not available.

² Plus food and lodging.

³ Yearly family contract, including shelter and food.

⁴ 1950 minimum wage law \$0.51, all agricultural workers.

⁵ Legal minimum.

⁶ 1951 rate, information for subsequent years not available.

Source: U. S. Department of Agriculture Foreign Agricultural Service, Mar. 4, 1955.

Senator LONG. Have you given thought to the idea that we should go to a 2-price system in line with Senator Flanders' suggestion of meeting the world-market price for agricultural products?

Dr. BUTZ. The 2-price system has been under study by our National Agricultural Advisory Commission. They studied it last year. When they meet at the end of March, they will take up the whole question of what to do with our wheat problem, and the 2-price system will be one of the things studied at that time.

Senator LONG. That is all.

Senator MILLIKIN. Mr. Chairman, may I ask a question?

What percentage of agricultural production is used domestically?

Dr. BUTZ. Approximately 90 percent of our total market for farm products is in this country.

Senator MILLIKIN. Is that in terms of dollars, in terms of bulk?

Dr. BUTZ. In terms of dollars.

Senator MILLIKIN. Ninety percent.

Dr. BUTZ. Yes.

Senator MILLIKIN. That points up, does it not, that we have to be very careful in running these reciprocal trade programs that we do not injure the American payroll, for obviously, if you injure the American payroll, you reduce the buying power of the American people.

Dr. BUTZ. Agriculture is keenly interested in an expanding domestic payroll.

Senator BARKLEY. May I ask one question? In answer to one of the questions of Senator Flanders, you said, I think, that the Agricultural Act of 1954 would progressively result in putting American agriculture in a competitive position with the rest of the world agriculturally. Did you mean by that this act of 1954 will put us on a world-price level—

Dr. BUTZ. Not necessarily. What I meant to say, Senator, was when we get large production years, as we have had in the case of certain crops recently, there will be price adjustments in those years that will make us more nearly competitive.

It will not mean the income will suffer. It will mean that income will still be a matter of production times price. We will be more nearly able to meet competitive prices on the world market.

Senator BARKLEY. That is another field we will have to go into at another time. That is subject to controversy.

Dr. BUTZ. There is some difference of opinion.

Senator BARKLEY. I am one of those who differ.

Senator CARLSON. May I ask one more question?

I thought we were getting along very well on our increased value of farm exports until you gave us the figures for the first 7 months for this current fiscal year as 1.819 billion, compared to 1.669 billion last year. That showed an increase of \$150 million. I believe it is correct that in the last Congress we passed legislation—I don't remember, but I think it was a public law and amendments to two bills—that permitted the exportation of farm commodities totaling a billion or a billion two hundred million. Is that the best we have done under this program? Is that the result of this \$150 million increase?

Dr. BUTZ. I would like to say a word about that.

You refer to Public Law 480, which appropriated \$1 billion to last over a 3-year period, \$700 million of which was in title I to finance the sales of surplus agricultural products to friendly foreign nations for their local currencies.

First, the legislation was passed in late July or August. The Executive order implementing it was signed in September. We have under negotiation or negotiated now, programs that will run something in excess of \$400 million and only in the last month have actual shipments started to move.

We expect shipments under that program to pick up rather markedly in the months just ahead.

There are not many sales reflected in these figures under that act. They will begin to be reflected substantially from here on out.

Senator CARLSON. Under that base, it occurs to me that we might have actually declined in the value of farm exports outside of the program we approved in the last session of Congress which, in reality, consisted substantially of giveaway programs; is that correct?

Dr. BUTZ. Most of the figures we gave are without sales under Public Law 480; however, they do include transfers to our volunteer relief agencies here. They do include the barter transactions we have had for which we have had some dollar recovery at world prices, but not at the domestically supported price level.

Senator WILLIAMS. You did indicate a projected estimated increase of 10 percent next year. If you have under the plan 400 million under the giveaway program, that would constitute 15 percent. So you must have a reduction of 5 percent of sales in your projected figures.

Dr. BUTZ. I think the point you make is a valid one, that some of this increase in exports we anticipate is the result of legislation last year. However, some of these shipments that were negotiated under 480 will go in next fiscal year.

Senator WILLIAMS. In your anticipated figures.

Dr. BUTZ. Yes.

The CHAIRMAN. I asked a few minutes ago the value of the products that were given away. When I asked for that I wanted everything in that category, those that were subsidized. There are a great many ramifications in this foreign aid program.

There are a dozen different agencies handling it. I would like figures for exports of farm products in all the various programs, the giveaway, the subsidized, the grants, and all kinds of things. Will you make that all-inclusive?

Dr. BUTZ. We will get that. I would like to reemphasize the point that we in Agriculture will be happy when the day arrives that we can dispose of our surpluses in normal world-trade channels for dollars and do not have to rely on these giveaway programs.

PRINCIPLE OF FAIR AND REASONABLE COMPETITION VERSUS FREE TRADE

The CHAIRMAN. Senator Malone, do you have a question?

Senator MALONE. Yes.

Mr. Butz, you are Assistant Secretary of Agriculture?

Mr. BUTZ. Yes, sir.

Senator MALONE. I take it from your testimony that you are principally interested in the 1934 Trade Agreements Act extension on account of the possibility of encouraging the disposal of your surplus agricultural products.

Mr. BUTZ. Not that alone, Senator. We want to restore an expanding and healthy market for our farm products on a long-term basis.

Senator MALONE. You are still talking about farm products.

Mr. BUTZ. Yes.

Senator MALONE. That is your chief interest?

Mr. BUTZ. Yes.

Senator MALONE. What is the price, generally speaking, at which you have been disposing of farm products? Name the products and the price.

Mr. BUTZ. I didn't get your question.

Senator MALONE. Name some of the products that you have been sending to the foreign nations and the selling price.

Mr. BUTZ. I don't have a list of the specific prices for commodities.

Senator MALONE. Just a few of them from your memory.

Mr. BUTZ. Wheat is going at around \$1.75 to \$1.80, something like that.

Senator MALONE. They are paying around \$1.80?

Mr. BUTZ. Around \$1.75 to \$1.80.

Senator MALONE. Per bushel, or per hundred?

Mr. BUTZ. Per bushel.

Senator MALONE. 60 pounds?

Mr. BUTZ. Yes.

Senator MALONE. What do you pay for it?

Mr. BUTZ. It cost us under price-support program, last year around \$2.26, the national average would be \$2.06, next year.

Senator MALONE. We are talking about this year, aren't we?

Mr. BUTZ. Yes.

Senator MALONE. Then you lose around 50 cents a bushel.

Mr. BUTZ. Yes, sir.

Senator MALONE. If you are going to meet the world price and it costs 50 cents a bushel to meet it and it is necessary to have the 1934 Trade Agreements Act to do that? I understand that is what you have to do to meet the world price, lose about 50 cents a bushel.

Mr. BUTZ. At the present time we have to, but the Trade Agreements Act makes it a question of negotiation on tariff rates. The 50 cents subsidy we put into our wheat is the result of our domestic price level being above the world price level.

Senator MALONE. We all understand that. Why do you not just answer my question? You do meet the world price in selling the wheat.

Mr. BUTZ. Yes.

Senator MALONE. That is very helpful.

If you took another 5 cents off the price and sold it under the world market price, you probably would not have to worry about a trade agreement, would you?

Mr. BUTZ. What do you mean "any other kind of a situation"?

Senator MALONE. You wouldn't have to worry about shutting other industries down through allowing imports to come in from other countries for the chance to cost the taxpayers 50 cents a bushel to sell wheat.

Mr. BUTZ. They would still need the dollars if they bought their wheat for \$1.65.

Senator MALONE. I guess we are all in the same situation. There are two ways a nation can be short of dollars. There is only one way an individual can be short. You and I can only be short if we insist on spending more than we earn each year. I guess you have had that experience.

Mr. BUTZ. Still have it.

Senator MALONE. You are not the only one. You cannot have the experience that these nations have because they have an additional dollar shortage through setting a price higher in dollars on their currency than the world price and nobody will pay it but the Congress of the United States; isn't that right?

Mr. BUTZ. In some cases it is right.

Senator MALONE. In what cases do you understand that is right? We might as well just see how much you understand about it.

Mr. BUTZ. In the case of Turkey we have had some problem on the question of exchange rates.

Senator MALONE. What about France?

Mr. BUTZ. There is a problem with France.

Senator MALONE. Isn't there a problem in all of the nations of Europe?

Mr. BUTZ. I am not prepared to say.

Mr. BURMEISTER. It has been, but it has improved a lot.

Senator MALONE. It hasn't improved enough so that the problem is removed.

Mr. BURMEISTER. Yes.

Senator MALONE. What nations?

Mr. BURMEISTER. Some of the countries have placed—the United Kingdom has placed wheat on the free market. There is no control on wheat, and the same is true on cotton.

Senator MALONE. What do you mean a “free market”?

Mr. BURMEISTER. There is no exchange control on the importation.

Senator MALONE. But the price remains on their currency. You have introduced a subject I had intended to ask you about. When you sign a trade agreement, they are not really trade agreements, are they? They are agreements to lower tariffs, aren't they?

Mr. BUTZ. That is the essential part of the question; yes, sir.

Senator MALONE. Isn't that all of it?

Mr. BUTZ. We are working for currency convertibility in unblocking of exchange controls.

Senator MALONE. Approximating taxpayers' money to do this, however, that has nothing to do with the 1934 Trade Agreements Act.

The 1934 Trade Agreements Act simply allows the executive department—and of course that means the Secretary of State for practical purposes, so for our purposes we can use the Secretary of State—to make agreements to lower tariffs on a particular commodity in the particular country with which the trade agreement is being made; isn't that right?

Mr. BUTZ. Yes.

Senator MALONE. Isn't that all of it?

Mr. BUTZ. You are asking questions that the State Department can answer better than we can here.

Senator MALONE. I would like to know if you understand the subject.

Mr. BUTZ. It is my understanding that there may be other concessions that the other countries might enter into. I am not sure of that.

Senator MALONE. I don't think you are either. That is the only concession they make, and evade even that concession through manipulation of their currency in terms of the dollar—exchange and import permits. Are you satisfied with that explanation?

Mr. BUTZ. Yes.

Senator MALONE. You might read the act when you go back, since you are supporting it.

Mr. BUTZ. Yes.

Senator MALONE. I would like to ask you if you are aware that when they make these trade agreements or agreements to lower duties, that in many cases the nation with which the trade agreement is made almost immediately thereafter fixes a special price for its currency on that particular product or group of products or applies exchange or import permits and thereby nullifies the effect of the trade agreement.

Mr. BUTZ. We have been aware of that. The British Empire had 28 different prices for the pound.

Senator MALONE. Are you aware that there is no possible adjustment that can be made under the 3-year agreement.

Mr. BUTZ. Yes, under the Trade Agreements Act, they can be reviewed in GATT.

Senator MALONE. I suppose pretty nearly anything can be done in GATT, General Agreement Trades and Tariffs but nothing of record has been done for the benefit of this Nation. I undertook to debate it

on Monday, February 28. If you will read that debate it might help you. Also you might read Senate Report 1627 of last year 1954. That report was made through testimony and research by competent persons. When you understand GATT, you really have something that will raise the hair on your head.

It includes 40 or 50 nations who intend to meet once each year at least and estimate the production and consumption of the world and divide it on the basis of "entitlements for consumption." We quoted the phrase in the report, but it can only mean divide our markets on the basis of the population of the countries of the world.

That is the kind of thing you are supporting. GATT is included in the entire picture along with the United Nations Assembly trade organization and the International Materials Conference.

Mr. BUTZ. GATT hasn't come before us for our official position yet.

Senator MALONE. It will be put before Congress, I understand, for the first time.

We had the International Trade Organization before us a few years ago and Congress refused to have anything to do with it. The State Department immediately organized the International Materials Conference to do the work of the ITO contrary to the wishes of Congress.

There were about 50 nations in the International Trade Organization setup and they were to meet at least once a year and with all the markets in the world in the pot divide them on the basis of "entitlements for consumption." We would have the only effective market in the game, like the sucker in the poker game—they divide such morsels for the ensuing year—the consumption and production on the basis of "entitlements for consumption."

If anyone knows what that means. "Entitlements for consumption"—the only way that can be interpreted is on the basis of population.

If there are 10 persons in one place and 5 in another, the entitlements for consumption would be 10 against 5. The principle would include 600 million people in China and about the same number in India, 160 million here, compared to 2½ billion in the world.

Are you also supporting the United Nations Assembly idea of creating a World Trade Organization? They just passed a resolution creating such a worldwide organization about 2 months ago.

Mr. BUTZ. That has not come before the Department for consideration.

Senator MALONE. You do know that all of these things are hinged to the 1934 Trade Agreements Act, that, if it is not renewed by this Congress, that the United Nations or the Geneva Conference (GATT), the International Trade Organization or the International Materials Conference could not proceed to divide up our markets without the consent of Congress? You understand that?

Mr. BUTZ. Yes.

Senator MALONE. I understand you do understand it?

Mr. BUTZ. I will take your word for it. I am not familiar with it.

Senator MALONE. Nodding your head doesn't do the reporter much good.

Mr. BUTZ. All right.

Senator MALONE. I don't want you to take my word for it. I want you to study what you are testifying about.

I doubt very much if you do understand it. I doubt very much if anybody really understands GATT 3,000 miles away at Geneva or it would scare the daylight out of them.

In the matter of these trade agreements, I understand your present extreme interest is in unloading your stored agricultural products, which have accumulated through the support price. It is very important, since we have these products stored in bins and warehouses all the way from western Kansas to the Atlantic Ocean now.

The bins are getting closer together all the time, and the space is probably going to be worth more than the grain stored on the property before very long.

Senator CARLSON. Is there room in Nevada?

Senator MALONE. There is room in my State to feed it to the cattle and sheep if you could get it at a price that you could afford to feed it at the current price of cattle and sheep.

I am corresponding with the Secretary of Agriculture on that matter now because in the named distress areas, they lowered the price to a point where you could feed it to the cattle and sheep at the distressed area price and then when our people decided to feed it they raised it to the domestic market price.

At the support price you cannot feed it, even if they make their regular gains, because you lose about 50 cents a day on each steer in the feed lot.

They got our Nevada people into this position by promising the feed at the lower price and then withdrew it after our people had decided to keep the cattle, which was not very good business for the cattle and sheep men, or the Department of Agriculture either.

That is another question but one that this kind of manipulation leads to. In this matter of trade agreements you understand that that gives the State Department, the right to remake the industrial map of the country; that is to say, lower the tariffs or duty on any product that they care to and allow the products to come in, reducing or closing down production here in that particular product, on the theory that they will increase the sale or the feasibility and sale of another product.

Is that the way you understand it?

Mr. BUTZ. It will work that way, I think.

Senator MALONE. You think then that the State Department—and of course the State Department for 21 years has been administering the setup—do you think that the State Department, a Cabinet officer, should have that authority?

Mr. BUTZ. I understand that there is a trade agreements committee setup representing a number of departments, of which State is one. Agriculture is represented on the Trade Agreements Committee.

Senator MALONE. Whoever is consulted the Executive Department has the authority to rearrange the industrial map. Who are the members of that committee, do you know?

Mr. BUTZ. State, Agriculture, Commerce, Labor, Foreign Operations Administration.

Senator MALONE. The FOA—that is Mr. Stassen, is it not?

Mr. BUTZ. And Defense. I think that is the group. Treasury is on it too.

Senator MALONE. Then I will ask the question in another way.

You are aware, of course, that article I, section 8 of the Constitution says that the legislative branch shall set the duties, which we call tariffs, and shall regulate foreign commerce.

Mr. BUTZ. Yes.

Senator MALONE. Are you aware that this act, the 1934 Trade Agreements Act, amended the Constitution in that respect and transferred that responsibility to the Executive without submitting it to the people?

Mr. BUTZ. As I understand it, you are establishing limits within which the Executive may negotiate, and that control still remains in the legislative branch of the Government of the general policy within limits that cannot be exceeded.

Senator MALONE. Does Congress have any review of the Executive action under the act?

Mr. BUTZ. It is my understanding that within the limits established, the agreements will be final.

Senator MALONE. Of course they are final. What are the limits?

Mr. BUTZ. They are set forth here in what they can do. You can reduce the tariffs by 5 percent per year for the next 3 years, and so on.

Senator MALONE. What were the limits before this?

Mr. BUTZ. I think the limits before this were 50 percent of the 1945 rates.

Senator MALONE. They were 50 percent in the beginning, 1934, and then there was an additional 50 percent, making a total of 75 percent on certain products which we used in our trade agreements.

Now you are asking for 15 percent more. Do you think that would be constitutional if you just gave the executive department within limits of 50 percent or 75 percent or 15 percent additional?

Mr. BUTZ. I am not prepared to answer the constitutional questions here.

Personally, I should think that if Congress established that policy and proposed those limits, it would be constitutional.

Senator MALONE. That is in the courts now. There was a suit filed on Monday in the United States district court against the Secretary of the Treasury by the Morgantown Glassware, Inc., of Morgantown, W. Va., on constitutional grounds, and also the General Agreement on Trades and Tariffs. So that will be decided we hope, but you think it is all right, understanding, as I suppose you do, that if a tariff is correct or a duty is correct and actually represents that difference in the wage standard of living and the taxes and the cost of doing business in this Nation as compared to the competing nation on each product, that if it is correct, it represents that difference and any reductions would unbalance it? You understand that; don't you?

Mr. BUTZ. Yes.

Senator MALONE. If you lower it 10 percent, we will say, what does that mean? Doesn't that mean that you have to lower your wages 10 percent, write off your investment 10 percent, and meet that competition or go out of business.

Mr. BUTZ. Either that or increase your efficiency of production.

Senator MALONE. That is a fine statement coming from a Government official where efficiency is practically unknown. Competition in the business guarantees efficiency of production.

If they did that, increased their efficiency in production, assuming that some might, then the purpose of the trade agreement is lost, be-

cause they would still produce the same amount if they held their production and decreased their cost and produced the same amount to furnish this market, then the purpose of the trade agreement is lost; isn't it?

Mr. BUTZ. Unless per chance total consumption of the item increased because of a lower cost.

Senator MALONE. Is that the purpose of your free trade, to increase consumption of the article?

Mr. BUTZ. It is one of the end results, I think.

Senator MALONE. If they were unable to decrease the cost, the 50 percent or 75 percent, or in this case it would be a total of 90 percent, they would lose the business; would they not?

Mr. BUTZ. Yes, sir.

Senator MALONE. That would be quite a bit to increase the efficiency; wouldn't it?

Mr. BUTZ. Well, presumably they will be operating already at the 75-percent level.

Senator MALONE. If they are operating.

Mr. BUTZ. Yes. All this act permits is additional changes of not to exceed 5 percent per year for 3 years.

Senator MALONE. If there is any of the industry left, the 5 percent and 10 percent and 15 percent would apply to it?

Mr. BUTZ. Yes, sir.

Senator MALONE. I guess that would destroy the rest of them if there are some left.

You are aware in many of the industries like pottery, they are practically out of business now. You know that; don't you?

Mr. BUTZ. Yes.

Senator MALONE. The glassware is slowly going out of business, you understand that?

Mr. BUTZ. That is right.

Senator MALONE. About 90 percent of the lead, zinc miners are on the street or headed that way. You knew that; I guess?

Mr. BUTZ. Yes, sir.

Senator MALONE. And still you believe that 5, 10, or 15 percent additional reduction should be allowed the State Department on the theory that you will sell more agricultural products?

Mr. BUTZ. Of course, they have recourse to the escape clause and the peril-point determination as a protective measure.

Senator MALONE. Can I give you some information on the escape clause and peril points? I think it will be helpful to you.

There have been about 50 cases filed. In 15 cases the Tariff Commission reported that they should have relief and in 5 cases they were given some relief under the escape clause.

There is no escape for industry except an arbitrary decision of the executive, meaning we think the State Department. They are the ones that say whether it means a benefit for our Nation, extraneous benefits, such as making friends and influencing people on a world basis, or selling agricultural products that we are paying far more for than you can afford to feed it to the livestock of the Nation at the present price of livestock. Getting rid of that feed in a foreign market at the world price could unbalance that market, the executive could refuse the escape asked for; could it not?

Mr. BUTZ. It could be done.

Senator MALONE. It has been done in most cases, you understand that.

Mr. BUTZ. Yes.

Senator MALONE. Let's take the peril point.

It is expected in the law that they will ask the Tariff Commission to establish the duty or tariff when they contemplate such an agreement at which that industry would be injured. That should then be the tariff.

That would bring about fair and reasonable competition. It would then give the workers and producers equal access to their own markets and give other nations equal access to the American market since it would make up only the difference between the standard of living, taxes, and cost of doing business here and in this chief competitive nation on that particular product.

You understand that?

Mr. BUTZ. Yes.

Senator MALONE. They may or may not take the amount set by the Tariff Commission for the purpose of trade agreements. You understand that part of it?

Mr. BUTZ. That is right.

Senator MALONE. And generally do not. You understand that too, I presume. Do you understand that if they take the amount literally and make a trade agreement for 3 years on that basis, then in 10 seconds after the ink is dry, foreign nations can change the value of their money for that particular product and nullify the agreement, or through an exchange-permit system, or an import-permit system, completely nullify the agreement.

And the agreement goes on for 3 years anyhow. Do you understand that?

Mr. BUTZ. Yes. It is hoped that GATT negotiations will minimize those cases.

Senator MALONE. Is there anything in the record of GATT that would bring you such hope?

Mr. BUTZ. I am not prepared to say about the record, but we hope in the new negotiations it will be.

Senator MALONE. I am prepared to say about the record, and I offer it for your information.

There has been only one objective for 21 years, apparently, on the face of it, and that is to divide the markets of the United States with the nations of the world on the basis of "entitlements for consumption"—meaning on the basis of population of the world.

Someone invented the phrase—"entitlements for consumption."

Do you understand it? I suppose you are also for this extension which appears to include virtually free trade with Japan? You approve of that relation?

Mr. BUTZ. Yes.

Senator MALONE. I have been in Japan. Do you have any idea what they pay their workers there?

Mr. BUTZ. They have very low wage rates.

Senator MALONE. About 15 to 19 cents an hour for skilled labor.

Mr. BUTZ. Yes.

Senator MALONE. Do you know what we pay in this country?

Mr. BUTZ. \$1.50 to \$3. But there is much difference in the productivity of labor in the two countries.

Senator MALONE. Is that so?

Mr. BUTZ. That is why we can pay that difference.

Senator MALONE. For your information—and I wish you would check it—a Japanese workman working on machines—our kind of machines are going in there largely at taxpayers' expense—a Japanese is just as good a mechanic and will do just as much work as an American. Do you doubt that?

Mr. BUTZ. No.

Senator MALONE. Then what you just said doesn't hold water, does it?

Mr. BUTZ. If he gets on one of our good machines, he may do as much work, but so far as the Japanese economy is concerned, they do not all have the machinery.

Senator MALONE. What kind of machinery do you think Mr. Hoffman and other investors in Japan production are putting in Japan to build their product? Secondhand machinery or Japanese machinery?

Mr. BUTZ. I am not familiar with it.

Senator MALONE. I did not suppose you were. I am. I did review several of the industries there, as I have in every nation of the world except the Iron Curtain countries, and in Russia. The last plant, constructed in one of these countries, just like the Anaconda Copper refinery in northern Chile—and I was just there—is the best one in the world because it is the last one.

Then we have anywhere from 2 to 10 percent of superintendents and foremen, to train and supervise the cheap labor, and within a very little while in most cases they do just as much work as anyone and in many cases more.

I was not sure of that until I visited the plants, but anyone would know that, anyone should know, that the Japanese or an Englishman or a Scotsman or an Irishman or anyone of 90 percent of these nations do just as much work as an American.

Wouldn't you suppose they would on the same machinery?

Mr. BUTZ. After they are properly trained; yes, sir.

Senator MALONE. How long do you think it takes to train a man to do one piece of work on an assembly plant?

Mr. BUTZ. I have no experience in that area.

Senator MALONE. Well, I deduced as much from your testimony. I was trying to get it in the record, however. However, you expressed a very positive opinion.

You believe however, that the State Department or this committee if you please—State, Agriculture, Labor, Mr. Stassen, National Defense without such experience—should have the authority to make these trades, just as we have been making them for 21 years, to put our working people in this Nation in direct competition with the labor in England of about 43 cents an hour, in direct competition with the labor in Japan, about 19 cents, with the same machinery—and I say again—largely paid for by the taxpayers of this Nation through what is now called FOA, which started out as the Marshall plan and the loan to England of \$3¾ billion. Where our standard of living wage is from \$1.50 to \$2.50.

Do you believe that the executive departments should have this authority to do this thing in order, presumably, to sell agricultural

products, at the world price with the taxpayers of this Nation making up the difference between the world price and any support price?

Mr. BUTZ. In general I do believe that we will benefit from expanded trade. In the long run if Japan or any other country sells products in America for dollars, those dollars must ultimately come back to America to be spent.

Senator MALONE. They buy the products of another kind of industry, like, for example, we will say, they bought adding machines or automobiles. Then we go out of the crockery business and machine-tool business, glassware business, the mining business for that purpose. You do not see anything wrong with that?

Mr. BUTZ. It is my understanding that the Trade Agreements Committee will take those things into consideration in making their recommendations.

Senator MALONE. We should give the tax dollars away in the first instance because they will eventually return. That is I suppose a sample of efficiency.

Mr. BUTZ. They have taken them into consideration. Sometimes they have to make agreements that work to the disadvantage of a particular industry.

Senator MALONE. I am glad that you understand it. Of course, you know they intend to put some industries out of business since the State Department has said more than once that they think the Congress should appropriate money and pay unemployment insurance to the unemployed and compensate the investors for the loss of investment, all of which is very nice of them, and demonstrates their business ability.

But let us take another field. We have now been preparing for war for a considerable time. We fight one foe and build up another.

We were prepared to fight Germany on the theory that if they destroyed Europe, we would be next. We utterly destroyed Germany and we have built up another one.

In these agreements, do you think it might injure us if we become dependent upon foreign nations across major oceans for critical materials which would be unavailable in case of war?

Do you think that is good business?

Mr. BUTZ. That factor must be given strong consideration by the Trade Agreements Committee.

Senator MALONE. Do you think that it has?

Mr. BUTZ. It is my impression that it has had some consideration.

Senator MALONE. As a result of the trade agreements, we are now dependent upon India for 900,000 tons of manganese annually.

You could not get a pound of it from there once an all-out war started. You cannot make a pound of steel without it. That is about half our annual consumption. Do you think that is a smart thing to do?

Mr. BUTZ. I am not familiar with the manganese situation.

Senator MALONE. I am outlining it for you, and for the purpose of your answer, you might assume I am correct.

Mr. BUTZ. We should not get too dependent on a source too far away.

Senator MALONE. Would you call that being too dependent on a source too far away if you have to have 900,000 tons of a product shipped across a major ocean to survive?

Mr. BUTZ. We are stockpiling quite a lot of that too.

Senator MALONE. It is pretty hard to stockpile all these materials for the full length of a war. Do you think we should depend on the stockpile for security and go ahead with our trade agreements?

Mr. BUTZ. That is out of my area. That is in ODM.

Senator MALONE. I know that. You are in Agriculture. You are interested in selling agricultural products. I admire you for standing up for your job.

Someday people will really understand what we are doing. We are appropriating money to support a price on feed products above what you can pay for it to feed a cow and a sheep at the market price.

Mr. BUTZ. We are approaching it on many fronts. One of the fronts is by moving away from the old system of price supports to the new system under the act of 1954, which will partially solve the problem you outline.

Senator MALONE. What is the new approach?

Mr. BUTZ. Flexible farm supports.

Senator MALONE. What would you do with the flexible farm supports? Just how would that operate and solve this question?

Mr. BUTZ. It will move us away from this tremendous surplus problem we have with the Commodity Credit Corporation owning these surpluses of grain you mentioned.

Senator MALONE. If we moved away from that system, you are preparing it to sell on the open market?

Mr. BUTZ. Yes, sir.

Senator MALONE. You think eventually the open market will take up all you can raise?

Mr. BUTZ. We hope to move toward that ideal.

Senator MALONE. What you are moving toward is to get away from the price support.

Mr. BUTZ. To move to the place where we use price supports as a minimum price, but not as a price where you sell your product.

Senator MALONE. What is the difference?

Mr. BUTZ. Under the arrangement of high rigid price supports, we have sold a tremendous quantity of wheat to the Commodity Credit Corporation for example.

We have the price well above the price that would have prevailed otherwise with the Government providing a residual market for all commerce.

Senator MALONE. That is just a sort of delayed pass; isn't it? It is just among the family you are passing it around. What good does it do?

Mr. BUTZ. To have the high price support?

Senator MALONE. No. What good does it do to pass it from one part of your Department to another?

Mr. BUTZ. We produce foodstuffs to be consumed. If we can move it into consumption either here or abroad for dollars—

Senator MALONE. How could you move it into consumption better by passing it from player to another? Who will finally run with the ball?

Mr. BUTZ. This is a many-sided operation, one side of which is improved trade relations around the world. The other side of it is improvement in our domestic price-support program.

Senator MALONE. I thought we closed up this other one. I was not going to ask you any more about it. You said you were in favor of displacing industries in this Nation by imports in order to sell more agricultural products.

That is very plain. You were for that, and I understood your position.

Mr. BUTZ. I wouldn't put it that way. We import some agricultural products too.

Senator MALONE. You are for displacing certain of these industries in this Nation and changing the industrial map of the Nation in order to sell more agricultural products.

Mr. BUTZ. Some of that, no doubt, will take place.

Senator MALONE. You are for it, are you?

Mr. BUTZ. I am for the extension of the Trade Agreements Act. If some of that takes place—

Senator MALONE. You are for the displacement if it takes place.

Mr. BUTZ. Yes.

Senator MALONE. That is helpful.

Now I would like a little better explanation as how you get away from price supports by passing it from one department to another department of Agriculture. You sell it to the ICC. Who does the ICC sell it to and at what price compared to the original cost?

Mr. BUTZ. We don't sell to ICC. We may sell it under Public Law 480. We sell it for foreign currency abroad, and those currencies may be used for various things.

One way to use it may be by the military for housing. The Military Department may pick up part of those currencies to pay for housing abroad where they otherwise would spend dollars.

Senator MALONE. At what price would you sell the product for?

Mr. BUTZ. Let's take wheat as a case in point. It would have to move at the world price level, or else the recipient country wouldn't take it.

Senator MALONE. The only difference is that you take their money for it instead of demanding dollars for it.

Mr. BUTZ. Yes, sir.

Senator MALONE. That has been suggested on the Senate floor many times, except have them pay the full price for it. As a matter of fact it was suggested by me when you were going to give 100 million tons of wheat to India several years ago. Then use the rupees to buy exports from India.

Mr. BUTZ. Pakistan, I believe it was.

Senator MALONE. To India. At that time it was India. You got around to Pakistan later. The bill was introduced then and then changed to give them dollars to buy 100 million tons of wheat or whatever amount it was.

I debated it on the floor then and asked why it was necessary to give them dollars, and somebody assured us they didn't have dollars, which was plain enough.

If some of our own people in this country had plenty of dollars, they would probably buy some of the wheat and corn themselves, would they not?

Mr. BUTZ. Yes.

Senator MALONE. Are you doing anything about that?

Mr. BUTZ. Yes.

Senator MALONE. You would. Is there anything you can do about that?

Mr. BUTZ. Well—

Senator MALONE. We can only give it to foreigners below the price; is that right, except in distressed areas—

Mr. BUTZ. We are distributing a good deal of our food products locally to our unemployed people and to our institutions and through school lunches for free.

Senator MALONE. You are distributing it to the the unemployed people whom you caused to be unemployed through these trade agreements that you are supporting today; is that right?

Mr. BUTZ. I cannot attribute the cause of their unemployment.

Senator MALONE. I can help you. There are 143 distressed areas in the United States as of now. I outlined them on the floor of the Senate. It might be helpful to you. I think that is where your grain is going, the distressed areas.

Mr. BUTZ. Yes.

Senator MALONE. It is easy to determine why they are distressed, many of them; it is because of the imports that come, like the pottery area in Ohio and the glass area down in West Virginia. It is a glass company down in West Virginia that sued the Secretary of the Treasury on Monday while I was on the floor debating the subject, alleging the unconstitutionality of the act.

I would still like to get back to this improvement in the situation when you transfer the grain from one department in your Department of Agriculture to another. You said you transferred it to the ICC and that would improve the situation.

How does it do that?

Mr. BUTZ. I am not aware that we transferred grain to ICC.

Senator MALONE. I understood that was what you said. It might have been some other department.

Mr. BUTZ. You are talking about the domestic distribution of grain?

Senator MALONE. The Commodity Credit Corporation that you transferred it to.

Mr. BUTZ. Yes.

Senator MALONE. We understand fully now how you sell it to foreign countries or give it away, or foreign countries buy it at the world market price, the reduced price, about 50 cents under the domestic price, while our own people must buy it at the full price for their own use.

Then you must displace certain industries here through lowering the duties through trade agreements, so the foreign nations can send their low-wage products here to get the dollars to buy the grain at your reduced price. We understand that thoroughly now.

Now explain how you would handle the situation here with the Commodity Credit Corporation.

Mr. BUTZ. In this country, the Commodity Credit Corporation is making available to the State welfare agencies in a number of States that have contracts with the Department of Agriculture certain food-stuffs for distribution domestically. At the present time we are making available butter, cheese, powdered milk, vegetable shortening,

dried beans, and rice. We make those available to State departments of welfare who, in turn, certify the recipients and handle the distribution process within their States.

Senator MALONE. I think you are distributing some of it to Pioche, Nev., where we have practically 100 percent unemployment, and have had since you lowered the tariff on zinc and lead and then furnished the money to England to buy a stockpile of zinc and lead, which they in turn transferred to the United States, resulting in lowering the price on zinc from 16 cents to 10 cents, turning this Nation's zinc ore into country rock, and now you are distributing the food products in those disaster areas to the hungry unemployed.

Mr. BUTZ. I am not familiar with the zinc situation, but we are distributing products.

Senator MALONE. I am trying to tell you why you are doing it. You are in favor, then, of paying this support price, selling it, as has already been outlined, to foreign countries at the world price. You are in favor of our replacing our products here through imports and then feeding the workmen that are displaced by this policy with surplus food products. You testified you are for it, and then you distribute these agricultural products to these areas and give them to them at a reduced price, so they can eat while they are out work.

Mr. BUTZ. We are certainly in favor of distributing our products to whoever needs them.

Senator MALONE. You admit that when they are thrown out of work in these areas through increased imports under the 1934 Trade Agreements Act they would need the food, would they not?

Mr. BUTZ. Yes, sir.

Senator MALONE. I think that is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Thank you very much.

The next witness is the Secretary of Commerce, the Honorable Sinclair Weeks.

STATEMENT OF HON. SINCLAIR WEEKS, SECRETARY OF COMMERCE, ACCOMPANIED BY MARSHALL M. SMITH, ACTING ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS, AND HENRY CHALMERS, ADVISER ON COMMERCIAL POLICY

The CHAIRMAN. We are pleased to welcome you to the committee. Secretary WEEKS. Mr. Chairman and members of the committee, I have a statement which I shall read.

I appreciate the opportunity of giving the committee my views. In some respects, my statement will duplicate the statement I made before the House Ways and Means Committee, but not entirely so.

I support H. R. 1, both on the broad grounds of national policy and because I believe it would be of substantial advantage to the foreign and domestic commerce of the United States, which I am charged by law to foster, promote, and develop.

Americans of all parties feel that we should for the most part limit our grant aid to the financing of military purchases and to technical assistance.

I should be the last to suggest that the present level of our tariffs is an important deterrent to imports. As a matter of fact, despite the

remaining high duties on some products, in comparison with other countries, our tariffs are on the whole moderate. Nevertheless, governments and businessmen of other countries consider our actions in the tariff field, and particularly our willingness to negotiate trade agreements, as one of the most important pieces of evidence of our desire to let them pay their way in their trade relations with us.

The legislation before your committee has thus developed over the years symbolic importance from every viewpoint.

The proposals of the President will meet these foreign policy necessities. The 3-year extension as contrasted with the shorter extensions of previous years will evidence the stability of our intentions. The proposed negotiating authority will demonstrate our willingness gradually to accept further modest declines in our tariff rates and gradually increasing imports. The enactment of the legislation before your committee will thus serve to make the direction of our foreign economic policy clear to the free world.

We have an important stake in foreign markets and our prosperity is importantly dependent upon healthy two-way international trade.

It seems to me that the best way of getting at the significance of our export trade for the economy is to express it as a percentage of our gross national product. In 1954, when our gross national product was at nearly its alltime high, our exports of goods and services including military aid, valued at about \$20 billion according to preliminary estimates, came to almost 6 percent of the total. This figure may not be impressive when compared with the exports of some of the important trading countries of Europe which run as high as 25 percent of the gross national product but, in our economy, no one factor makes an overwhelming contribution to our economic well-being. Gross receipts from farming in 1954 were equal to only about 8.5 percent of the gross national product compared with the 6 I have just noted.

In nonfarm residential construction it was about 4 percent. Other new construction, about 4 percent. Business expenditures for capital equipment about 6 percent. Consumer purchases of durable goods a little over 8 percent. So there is some similarity between these percentages to the total gross national product.

The CHAIRMAN. May I interrupt you a moment. You state that the exports of goods and services, including military aid, were valued at \$20 billion. Could you exclude the military aid and the give-away program, and then give us a statement of our exports on a legitimate business basis, give us that part for which we are paid?

The point I make is that military aid is a gift which we pay for. Perhaps it is for our own benefit—

Secretary WEEKS. Military exports last year were about \$3 billion.

The CHAIRMAN. What is the amount of our legitimate business exports? In other words, what is the amount of exports for which the people who ship get paid and the Government doesn't subsidize them?

Secretary WEEKS. That would probably be close to \$12 billion.

The CHAIRMAN. Does that include the agricultural products and other things we give away, or not?

Secretary WEEKS. Yes; it does.

The CHAIRMAN. I would suggest that these figures be broken down to show the amount of legitimate business, showing that which we sell

and get paid for, as opposed to that which we give away, including military aid.

Senator MALONE. You mean our exports for whisky we receive the full price. There is no question but that we pay the full price for any imports we buy.

The CHAIRMAN. I mean what we are paid in return for the goods. That is what I call exports. I do not regard the other things as legitimate exports.

Secretary WEEKS. I was including in that figure all of the goods and services that went abroad.

The CHAIRMAN. You would include the Marshall plan funds under that, too, wouldn't you?

Secretary WEEKS. There were almost none in that figure.

Mr. SMITH. Some, but not very much.

The CHAIRMAN. I respectfully submit that that figure is very misleading. If we give things away or build airports abroad or send military equipment, do you include that, too?

Secretary WEEKS. If that comes under military aid, it is in the figure.

The CHAIRMAN. I don't think that—

Secretary WEEKS. I don't think it is under military aid when it is for our own forces. I am not certain about that, Senator.

The CHAIRMAN. Would you prepare for the committee a statement of the actual exports of goods in private business channels, not the Government, and for which payments are made and received? That is what I call trade. Sending military aid is not trade. Giving things away is not trade.

Senator MALONE. Mr. Chairman, could we have, at the same time the amount of dollars that we gave to the foreign nations that same year through the Marshall plan, ECA—FOA or any of our own give-away organizations?

Secretary WEEKS. Yes.

Senator MALONE. I think that amount should also be subtracted.

The CHAIRMAN. Of course. Confine it to the shipments that are made by private enterprise abroad for which payments are made and received in private enterprise. That is what we want.

Senator MALONE. You are right. That is helpful.

The CHAIRMAN. It is apparent that much of this \$20 billion is not true export business. Gifts, military aid, etc., are included.

Senator MALONE. In addition to the 12 billion I believe there are 2 or 3 billion dollars per year additional leaving this country for which we get no quid pro quo.

The CHAIRMAN. I think the Secretary understands what we want.

Senator MALONE. If you were running a business, Mr. Secretary, give us what you would consider the amount of your legitimate trade, which would be for what you sold and received full payment.

Secretary WEEKS. Of course, my statement was explicit. It says: "Our exports of goods and services, including military aid." That includes services and military aid.

The CHAIRMAN. Yes.

Senator MALONE. The people, however, of our Nation, the taxpayers, do not understand that we are giving half of it away at their expense.

Secretary WEEKS. I will have the figures.

(The data requested appears following the oral discussion at p. 72.)

The CHAIRMAN. I do not regard all of that as trade, or export, in an acceptable sense of the terms. If you will get the figures broken down—

Secretary WEEKS. I will have it.

Senator MALONE. Will you have it for this record? When will you have it? This afternoon?

Secretary WEEKS. I can get it for you very promptly.

Senator MALONE. Then it will show in the record.

The CHAIRMAN. We shall put it in the record of this day.

Senator MALONE. It is very misleading to the people. Every member of the Government is mouthing this trade not aid business. Nobody understand it, least of all the Government people. Nobody knows the figures used represent about twice what the legitimate trade amounts to. Before you get around to answering questions about it, the first batch of propaganda has gone out, and that is the end of it.

Secretary WEEKS. The key significance of exports to our economy is reinforced by a consideration of their relationships to some of our most important and progressive industries.

During the 3 years of 1949 to 1951 one-half of our exports came from industries which sold more than 10 percent of their output abroad. One-third of our exports were accounted for by products which rely upon foreign markets for more than 25 percent of their sales. Machine tools, tractors, construction and mining equipment, oilfield machinery, and textile machinery made 20 percent of their sales in export markets.

This ratio has been maintained in more recent years by all the industries just mentioned, with the exception of the machine-tool industry.

Senator MALONE. Mr. Chairman, tractors and many of the machine tools come under that same category of national defense; would they not?

Secretary WEEKS. I wouldn't think very much of it.

The CHAIRMAN. They come under the category of foreign aid.

Senator MALONE. Something that is given away.

The CHAIRMAN. I happen to know because I was in Turkey a year before last that most of the farm machinery over there was given to Turkey through the so-called foreign aid. I think the Secretary is clear as to what the committee wants.

Senator MALONE. What those countries pay for, not paid for by this country.

Secretary WEEKS. I understand.

The CHAIRMAN. Go ahead, sir.

Secretary WEEKS. I certainly do not have to labor the point before this committee that these exports must be paid for. This committee, which has had various proposals affecting the trade-agreements legislation before it for over 20 years, is aware of the fact that as our grant aid to the rest of the world is reduced, and ultimately eliminated, we must increase our imports unless we are willing to see our exports decrease. I am sure that, in view of the contributions which exports make to our economy, we cannot afford to permit them substantially to decrease.

Senator MALONE. I would like to ask a question right there.

Do you think, Mr. Secretary, that it is necessary to reduce duties on imports to keep up the exports at the present rate even though we pay for them?

Secretary WEEKS. I am not sure understand that question.

Senator MALONE. I will say it again.

I wake up worrying about this. You have now got up to \$20 billion by giving away our products and giving foreign countries the money to buy our products, subsidizing them or shipping them for no cost, as you do with national-defense items.

Do you believe that you must displace additional products here, and allow imports of such products to come in so we can keep up this total of \$20 billion, one-half of which has not been paid for at all?

Secretary WEEKS. I don't believe that we intend or want to displace industries. I don't think that is any part of the program whatever.

Senator MALONE. You know that they are being displaced.

Secretary WEEKS. No.

Senator MALONE. What do you think happened to the crockery business? What do you think happened to the glass business? What do you think happened to the zinc-lead business and to 500 other industries which are already in or headed for a critical situation? Displacement, or maybe people do not use these products any more. But if a member of your family goes down to the stores, he or she will learn what happened. You do not believe that?

Secretary WEEKS. I don't think there has been any major displacement up to the present time.

Senator MALONE. How do you account for the displacement of the crockery business? I will just take that one. I can go into 5 or 6 others.

Secretary WEEKS. Under the present procedure, if an industry is seriously in jeopardy, it has its remedy under the present statute.

Senator MALONE. Where?

Secretary WEEKS. In the escape clause.

Senator MALONE. You know the history of the escape clause, just to wet the people down, and to make them think they have some kind of safeguard which is rarely if ever granted. It has been granted only five times out of the whole history of the escape clause. The peril point is another public wet-down arrangement with no chance on earth of working. Don't you have something better than that to suggest?

Secretary WEEKS. We have had about 8 or 9 cases since this administration came in. I think there have been 7 turndowns and 2 approvals.

Senator MALONE. That is a little better than average.

Secretary WEEKS. To be exact, there were 5 turndowns and 2 approvals.

Senator MALONE. Two approvals. Those two approvals mean nothing, simply because when you set a specific duty and no further control over it, a change in the price of the currency by the country involved for that particular product, by the country which is doing the damage, or other manipulations, overcomes it almost immediately. So I merely point out to you that these industries have been displaced. It is a condition of which everyone is aware.

The mining industry, many of the materials have been displaced that are very important in national defense. We do not have to go into that again, I hope.

Machine tools are now starting to be displaced. So I just wanted to point out to you that to do this thing, you must be in favor of displacing something here—American jobs—everything is affected, on which you make trade agreements. That is the only object. It speaks for itself.

Secretary WEEKS. The law charges me with responsibility both to encourage exports and to protect domestic industry.

Senator MALONE. How are you going to do that?

Secretary WEEKS. Out of our total exports of merchandise during the calendar year 1954 of about 15 billions, we shipped abroad about \$9¾ billion worth of finished manufactures, or 65 percent. Out of our import total last year of about 10¼ billions, finished manufactures—excluding newsprint and burlap, which for us are materials—came to only 1½ billions, or 15 percent.

The shift during the past half century in the role of manufactured goods in our foreign trade is significant. During the first decade of the 20th century, they made up about one-quarter of both our exports and our imports.

Senator MALONE. It simply proves what I have long contended, that you had one product for another?

Secretary WEEKS. Well, it proves that the percentage of our import business in manufactured goods is dropping, or has dropped over the past 50 years, whereas, percentagewise, our export market is growing in the products of our manufacturers.

Senator MALONE. I think the chairman pointed out why they are growing. About two-thirds are not paid for at the present time. They are given away in one way or another. I would point this out to you, Mr. Secretary—and you have been in business—do you believe a Cabinet officer should have the power of life and death over an industry in this country and to remake the industrial map by making trade agreements and encouraging increased imports of certain products and protecting others? Do you think he should have that power?

Secretary WEEKS. A Cabinet officer?

Senator MALONE. A Cabinet officer or a group of Cabinet officers—you have said they advise the President. I am referring to the Secretary of State or to you, or any of them.

Secretary WEEKS. The power is in the hands of the President under the statute.

Senator MALONE. Yes; I know that is in the hands of the President and he under the statute appoints Cabinet officers to do the work. You are in favor of having that power of life and death over an industry.

Secretary WEEKS. I am in favor of H. R. 1, as presently written, and I am in favor of the reciprocal trade agreement and the procedure incorporated in it.

Senator MALONE. You know that gives the President the power of life and death over any industry that is dependent upon duty protection for its industrial life. You know that; don't you?

Secretary WEEKS. I wouldn't put it in those words, Senator.

Senator MALONE. How would you put it?

Secretary WEEKS. The statute gives the President certain authority subject to the protective features—escape clause and peril point.

Senator MALONE. That is what has remade the industrial map of the Nation, not so much by our President, because he is only really getting started. However, the industrial map has been remade. Are you in favor of continuing that power in one man, an executive. I might say, when the Constitution puts it in the legislative branch?

Secretary WEEKS. I am in favor of it as it is written in the bill, Senator. Congress can always rescind the power.

Senator MALONE. I hope we will now.

Secretary WEEKS. That is my understanding.

Senator MALONE. The President can?

Secretary WEEKS. I say Congress can always rescind the power.

Senator MALONE. I say again, I hope we do just that. Some of us have been trying to do that for some time. I did not dream that our administration would ever try to continue such a thing. But they have. You are in favor of the President of the United States, who delegates the authority either to a group of Cabinet officers or to the Secretary of the State, having the power to destroy any industry in the United States at his option through bringing imports into the country to pay for the goods that are now being given away?

Secretary WEEKS. I am in favor of the statute as it is written.

Senator MALONE. You know that is the effect of it. I hope you know that. Is not the effect of it that you can increase imports through the reduction of the duty where the industry is dependent on the duty rates for the difference between the wage standard of living and the taxes and the difference of doing business in this country and the competitive nation?

You reduce the duty and they can bring the competitive products in.

Secretary WEEKS. The statute gives the President certain authority.

Senator MALONE. And that is it, isn't it?

Secretary WEEKS. You can describe it as you will, but——

Senator MALONE. How would you describe it?

Secretary WEEKS. I think it gives him discretionary authority to do certain things under certain conditions.

Senator MALONE. You must be aware, having been in business as long as you were, that on the basis of an investor going into business, he must have some assurance that he can only be disturbed through an action of Congress changing the principle through regular legislation.

He does not have that assurance under the so-called Reciprocal Trade Act—those two words don't even occur in the act, of course—and it is never operated that way. The London bankers invented the term "reciprocal trade" to sell free trade to our people. They have apparently done a pretty good job from what we hear this morning from Cabinet officers. Under the authority given the executive by the act, no long-range investments are going to be made, because investors can wake up in the morning to find out that a Cabinet officer has made a deal that will destroy them which they knew nothing about until they read the papers.

Do you think this sort of thing encourages investors in this country to invest in pottery, in glassware, in mineral, and other industries?

Secretary WEEKS. Senator, I think that as far as investment in industry in this country is concerned, I haven't seen any evidence of such a result as you describe.

Senator MALONE. You haven't.

Secretary WEEKS. No; I have not.

Senator MALONE. Try to get money to invest in mining property or in glassware or in crockery, or in any one of hundreds of other industries affected by the so-called trade agreements. I will just stick to those three so it won't disturb your thinking. Do you think you could get credit in these fields?

You have to get it from Government now because no one else is that foolish.

That is all, Mr. Chairman.

Secretary WEEKS. Do you want me to continue?

The CHAIRMAN. Proceed, sir.

The Chair would like to announce that this committee has been given the privilege from the Senate of sitting until 1 o'clock. At 1 o'clock we will have to adjourn in order to go over to the Senate floor. So if possible, I would like to complete the testimony of Secretary Weeks by 1 o'clock.

Secretary WEEKS. Several studies by the Department of Commerce disclosed that our exports to trade-agreement countries increased more from the depression levels of the early thirties than did exports of commodities to countries with whom we made no trade agreements.

From the depression low in 1933, when our gross national product was valued at only \$56 billion, and merchandise imports were 2.7 percent and merchandise exports 3 percent, our foreign trade has increased not only in terms of absolute value but also in relation to our gross national product.

During 1954, when we had a gross national product of \$357 billion, our imports of goods stood at 2.9 percent and exports at 4.2 percent of the much enlarged total. There can be no doubt that there has been a net gain to our economy from reciprocal-trade agreements, even though there has been a shortage of dollar exchange since World War II, financed during part of that time by foreign-aid programs to the extent of 20-33 percent of the total value of our exports.

President Eisenhower's program for expanding world trade, of which pending bill, H. R. 1, is an important element, had its genesis in the historic statement of President McKinley on September 5, 1901, from which I quote:

By sensible trade agreements, which will not interrupt our home production, we shall extend the outlets for our increasing surplus. A system which provides a mutual exchange of commodities is manifestly essential to the continued growth of our export trade. We must not repose in fancied security that we can forever sell everything and buy little or nothing.

If these words were valid in 1901, they are much more so in the year 1955.

Undoubtedly President McKinley made this historic proposal because of the detrimental effects which he perceived in the logrolling approach to our tariff problem. The Trade Agreements Act is a businesslike method of evaluating possibilities for trade expansion and using these possibilities in negotiations with other countries so as to obtain for the United States the maximum trade benefit.

The bill under consideration by your committee is designed to provide this administration with an opportunity for effective negotiations. It provides for a period of 3 years in order that these negotiations may have some degree of stability, without which the President is deprived

of the bargaining power which he must have to make such negotiations meaningful.

Senator FLANDERS. Excuse me just a moment. A limitation of 3 years extends, does it not, to the period of authorized negotiation, but unless it is otherwise specified, the bargains made during that period continue indefinitely, so I think that statement is a little bit of an understatement. It understates the situation.

Any agreement entered into within that 3 years continues indefinitely. The bargain basis in time is good, even though the time during which the bargaining can take place is limited.

Secretary WEEKS. Yes. But the trade agreement as such stands and cannot be terminated except under certain conditions.

Senator FLANDERS. Yes.

Secretary WEEKS. Six months under the GATT agreement.

Senator MALONE. Mr. Chairman, I don't think there will be any time for questioning, and I dislike to interrupt the witness.

I wonder if we can come back this afternoon or in the morning.

The CHAIRMAN. Senator Malone.

Senator MALONE. You of course know, Mr. Secretary, that no "logrolling" is possible under the 1930 Tariff Act. The Secretary's statement is very important. He says here:

There is, in fact, implicit in the authority an obligation to negotiate in such a way as to maintain adequate tariffs that would avoid imperiling American industry by opening our doors to excessive imports.

We need to go into that.

The CHAIRMAN. The Chair has consulted with other members of the committee. They are unable to stay this afternoon. I hope Secretary Weeks can complete his testimony this morning. Secretary Humphrey will be here tomorrow. Other Cabinet officers can possibly answer these questions.

Are you prepared to answer the question?

Secretary WEEKS. What is the question?

Senator MALONE. Where is there implicit in the authority an obligation to negotiate in such a way to maintain adequate tariffs that would avoid imperiling American industry, when, as a matter of fact, the Secretary of State has been frank and said that when they displace an industry or a workingman or an investor's money, the Congress should make it up in some way? Where do you find anything at all in the act that prevents a President—you insist upon calling it the President, although I don't think he knows too much about what the State Department is doing, but I hope we do not extend his authority to keep it up—where do you find that implicit direction?

Secretary WEEKS. Mr. Chairman, if you are going to adjourn in 10 minutes, I should be glad to come back. I would prefer if I could finish my statement.

I was going to read into the record this statement. I will then answer questions.

In answer to your question—

Senator MALONE. I would like to hear it.

Secretary WEEKS. I would like to insert in the record the letter which the President wrote on February 17 to Representative Martin, Republican leader of the House.

Senator MALONE. I read the letter. I know about the letter. He simply says: Give me the authority to cut your throat. I won't do it.

Secretary WEEKS. May I have permission to insert the letter at this point?

The CHAIRMAN. Go ahead.

Secretary WEEKS. I would like to read one paragraph from the letter if I may do so. [Reading.]

I wish also to comment on the administration of this legislation if it is enacted into law. Obviously, it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women. Repeatedly I have emphasized that our own country's economic strength is a pillar of freedom everywhere in the world. This program, therefore, must be, and will be, administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure. Were we to do so, we would undermine the ideal for which we have made so many sacrifices and are doing so much throughout the world to preserve. This plain truth has dictated the retention of existing peril-point and escape-clause safeguards in the legislation.

I want to say further that this same philosophy of administration will govern our actions in the trade negotiations which are to begin next week at Geneva.

(The letter referred to follows:)

[Extract from Congressional Record for February 18, 1955, p. 1517 (text of President's letter of February 17 to Representative Joe Martin).]

THE WHITE HOUSE,
Washington, February 17, 1955.

The Honorable JOE MARTIN,

House of Representatives, Washington, D. C.

DEAR JOE: I was concerned to learn from you that there are Members of the Congress who are not wholly familiar with my philosophy respecting H. R. 1 and with my concept of the administration of this program. I send you this letter to eliminate any misunderstanding that may exist.

This point I should like especially to emphasize: Few programs will contribute more fundamentally to the long-term security of our country than the foreign-economic program submitted to the Congress on January 10. This program, built around H. R. 1, will powerfully reinforce the military and economic strength of our own country and is of the greatest importance to the well-being of the free world. The program underlies much of our military effort abroad and promises our people ultimate relief from burdensome foreign-assistance programs now essential to free-world security. It recognizes the creditor status of America in the world and assures leadership of our people in the easing of unjustifiable trade barriers which today weaken all who are joined in opposition to the advance of communism. These considerations underlie my earnest advocacy of H. R. 1. I deeply believe that the national interest calls for enactment of this measure.

I wish also to comment on the administration of this legislation if it is enacted into law. Obviously, it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women. Repeatedly I have emphasized that our own country's economic strength is a pillar of freedom everywhere in the world. This program, therefore, must be and will be, administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure. Were we to do so, we would undermine the ideal for which we have made so many sacrifices and are doing so much throughout the world to preserve. This plain truth has dictated the retention of existing peril-point and escape-clause safeguards in the legislation.

I want to say further that this same philosophy of administration will govern our actions in the trade negotiations which are to begin next week at Geneva.

You are aware, of course, that by law this program will be gradual in application. A key provision of the bill limits to 5 percent of existing tariff rates the annual reduction in these rates permissible over a 3-year period, and unused authority will not carry forward from year to year. You know, too, that this program will be selective in application, for across-the-board revisions of tariff rates would poorly serve our Nation's interests. The differing circumstances of

each industry must be, and will be, carefully considered. The program, moreover, provides for reciprocity and in the program's administration the principle of true reciprocity will be faithfully applied. Americans cannot alone solve all world-trade difficulties; the cooperation of our friends abroad is essential. With such cooperation, this program provides the means for doing our part to help emancipate free-world commerce from the shackles now holding back its full development.

For the reasons I have here outlined, I hope that H. R. 1, which is so important to every American citizen and to the free world, will receive the wholehearted support of the Congress.

Sincerely,

DWIGHT D. EISENHOWER.

Senator MALONE. The peril point was inserted to wet the public down for another couple of years. No other explanation is possible because the President does not have to accept the peril point prepared by the Tariff Commission. If he should accept it and make a 3-year agreement, it can be nullified by the nation a party to it through manipulation of their money values or by exchange or import permits before the ink is dry.

How does it protect anybody? Who is the judge? The judge is the President of the United States as to whether he is imperiling these industries, and whether if they are, if the overall benefit justifies the injury.

That is the principle Congress laid down, that he can trade one industry for another, that is of course what we are arguing today. I do not believe it is a sound principle for Congress to delegate that power to an Executive on his own judgment that it will be good for the United States as a whole if we trade one industry for another.

That is what I do not believe in, Mr. Secretary, and I want to get it crystal clear. When you cite a letter that means nothing—he still has the authority and the record is clear. I say it amounts to nothing.

Secretary WEEKS. I should like to explain.

Senator MALONE. His power is not modified in the law. Go ahead.

Secretary WEEKS. In the administration of the law, the Department of Commerce has an Assistant Secretary for International Affairs and one for domestic affairs and in all of these negotiations both sides of the commerce picture are represented and for the most part have agreed—

Senator MALONE. You mean they agree what industry is to be sacrificed.

Secretary WEEKS. For the most part the two sides of the Department of Commerce have agreed, the foreign commerce side and the domestic side.

Senator MALONE. But you have it all in the Department of Commerce. The industry itself has no say in what you do.

Secretary WEEKS. The industry is represented in the Department of Commerce by 25 industry committees, and we are in extremely close touch continually with what those industries—

Senator MALONE. Can they nullify anything you decide to do?

Secretary WEEKS. No, they cannot, except under the statute as it is written.

Senator MALONE. That is right. Under the statute they have nothing to do with it whatever.

Go ahead.

Secretary WEEKS. H. R. 1 is not an automatic tariff reduction bill, but rather an authorization designed to put the President in the posi-

tion to conduct effective and profitable trade negotiations with other countries. The authority sought is permissive, and there is no intention conveyed by this bill to require tariff reduction on any particular product. There is, in fact, implicit in the authority an obligation to negotiate in such a way as to maintain adequate tariffs that would avoid imperiling American industry by opening our doors to excessive imports.

The new authority sought for reductions in terms of our current tariff levels is in most cases relatively small—about one-seventh of the existing duties. Considering that the rates on most manufactured products range from 10 to 35 percent ad valorem, a 5 percent reduction in the existing rates means, in the case say of an item subject to 20 percent duty, a reduction of only 1 percentage point ad valorem per annum during 3 years.

I am sure that a reduction at this rate over a period of 3 years could not work serious harm on United States industry, and, if perchance our generalization is ill-founded, the damaged industry has, of course, resort to escape-clause action.

An important means of safeguarding the American producer in advance against injudicious administrative actions is provided by the Tariff Commission's peril-point findings. Against unfair competition from foreign products, such as dumping or subsidies by the country of origin, we have legislation that authorizes the imposition of antidumping or countervailing duties, in addition to the regular duties.

Furthermore, we have the President's words in his first state of the Union message to the effect that the program for enlarging international trade "must not ignore legitimate safeguarding of domestic industries, agriculture, and labor standards." I am completely confident that in this respect his views have not changed.

Considerable concern has been expressed, in the statements by various representatives of industry as well as by some Members of Congress, regarding the defense implications of our foreign trade program. I would yield to no one in my conviction that a strong industrial base in the United States is essential to our playing our part in promoting peace and security in the world. However, I believe that we need not hesitate to go forward with the President's foreign trade program because of any fears that it might weaken the national defense program.

Senator CARLSON. I hesitate at this late hour to break in at this point.

It does occur to me the Secretary has made an important statement with regard to our industries that are playing an important part in our national defense. If I may have one point—

The CHAIRMAN. Yes, sir.

Senator CARLSON. Mr. Secretary, I believe you are a member of the committee appointed by the President known as the Advisory Committee on Energy Supplies and Resources Policy, which was appointed by the President on July 30, 1954, and they issued a report as of last Saturday.

It was made public last Saturday. Did you serve on that or did you have representatives on that committee?

Secretary WEEKS. I was a member of the committee and served a good part of the time. When I was not present, a representative served for me.

Senator CARLSON. Your Department participated in the hearings and in the report?

Secretary WEEKS. That is correct.

Senator CARLSON. I assume that your Department would agree with the findings that "The committee believes"—and I am quoting from the report—

That if the imports of crude and residual oil should exceed significantly the respective proportion that these imports of oil bore to the production of domestic crude oil in 1954, the domestic-fuel situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense.

You participated in that and are in accord with that?

Secretary WEEKS. Yes.

Senator CARLSON. Then I take it you are in accord with this statement, too:

In view of the foregoing, the committee concludes that in the interest of national defense imports should be kept in the balance recommended above. It is highly desirable that this be done by voluntary, individual action of those who are importing or those who become importers of crude or residual oil.

May I ask you if there has been an effort made to control the imports of crude and residual oils through negotiations or consultations with individuals or corporations?

Secretary WEEKS. Not so far as my own knowledge is concerned.

Senator CARLSON. Of course, I appreciate the difficulty. I will be very frank about it in dealing with that matter because anyone might even then be accused of violating our antimonopoly laws. It has been discussed.

The next quote:

The committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to the domestic production of crude oil in 1954, appropriate action should be taken.

I assume that in view of the fact that you participated in preparing that report, your Department would favor some action being taken if these became excessive, as you see it.

Secretary WEEKS. That is correct, Senator.

Senator CARLSON. I would like very much to go into it further. It is too late. I will not do it at this time. It is a problem that should have consideration. Here we have a great oil industry where at the present time imports are running 16 to 17 percent of production, over 1,200,000 barrels a day, and our oil production in the States has been prorated back on a base which is preventing exportation, and we will get to a point where we will have to depend on imported oil.

Senator MALONE. Testimony from representatives of the larger oil companies showed that they would not want any fair and reasonable duty or quota applied. They want to be the judge as to how much they import at all times and how much is to be produced in this country.

That is what the testimony shows.

The CHAIRMAN. Go ahead, Mr. Secretary.

Secretary WEEKS. Section 2 of the present trade agreements authority, which would continue as the law of the land, provides that:

No action shall be taken * * * to decrease the duty on any article if the President finds that such reduction would threaten domestic production needed for projected national-defense requirements.

In addition, we in the Department of Commerce have been giving a great deal of thought during the past year to the various means by which provision can be made for ensuring that, in the case of emergency, the United States will have an adequate nucleus of those unique and specialized skills which may be needed to provide the base from which production can be rapidly expanded to a wartime scale.

Legislative proposals to that end have been drafted within the Department of Commerce, and are right now under consideration by the Office of Defense Mobilization in conjunction with the various other interested executive agencies.

Control of imports of similar foreign products is only one of the possible means of insuring the availability in the United States of certain minimum industrial and research operations dependent upon unique skills. It would seem more logical, functionally, that such legislation as may be needed on the subject should take the form of an appropriate amendment to the renewal of the Defense Production Act, rather than to this trade agreements extension bill, which can properly deal with only one aspect of the problem.

Some question has been raised in the discussion of this problem as to whether the administrative procedures set up in the various executive agencies concerned are such as to ensure that the viewpoints of American producers are adequately taken account of, in the consideration of both the original granting of tariff concessions in trade agreements, and of such recommendations as may later be made by the Tariff Commission for the modification or withdrawal of such concessions.

The Department of Commerce is represented on the Trade Agreements Committee and on the Committee for Reciprocity Information by the Director of the Office of Economic Affairs of the Bureau of Foreign Commerce. It is represented on each country committee by a country specialist of that Office.

Each of these representatives is under instructions to consult fully with the industry specialists of the Business and Defense Services Administration before taking departmental positions as to whether items should be considered for negotiation.

These specialists are in close touch with our industries, and have detailed familiarity with the conditions in the various industries from the domestic production and sales points of view, as well as from the point of view of imports and exports. Additionally, they are constantly receiving representations from the several industries as to the effect of foreign trade on them, and further, they have access to the briefs filed before the Committee for Reciprocity Information as well as the Tariff Commission.

They are, accordingly, in a position to express an informed industry point of view to our representatives on the Trade Agreements Committee and its country subcommittees.

After this consultation, our representatives are under instructions to give the most careful consideration to the direct presentations of

industry before the Committee for Reciprocity Information, to the views expressed by industry in meetings with our representatives, and to the views of these industrial specialists.

In addition, I have arranged that the recommendations of the Trade Agreements Committee are to be personally reviewed by the Assistant Secretary for Domestic Affairs as well as the Assistant Secretary for International Affairs, with a view to determining those instances in which the Department wishes to appeal to the President from the Trade Agreements Committee.

I may assure the Congress that it is my intention to make the views of this Department known to the President in those cases where, in our judgment, the industry needs the measure of tariff protection presently afforded it.

When the Tariff Commission recommends action by the President—whether under the escape clause of the Trade Agreements Act or under section 22 of the Agricultural Adjustment Act—a number of the executive agencies are called upon for opinions as to the advisability of such action from their respective points of view.

So far as the Department of Commerce is concerned, I can assure you that every such report sent to us by the Chief Executive is given the most thorough and deliberate study by our commodity specialists familiar with the given product, as well as by those of our staff concerned with general commercial policy and with international relations. The recommendations of those technicians are then carefully reviewed by both the Assistant Secretaries for Domestic Affairs and International Affairs, and finally by myself.

Senator MILLIKIN. In the case of an escape-clause proceeding, does your Department make recommendations to the committee?

Secretary WEEKS. It does.

Senator MILLIKIN. Do these recommendations necessarily follow the recommendations of the Tariff Commission?

Secretary WEEKS. They do and occasionally do not.

Senator MILLIKIN. There was considerable complaint that the Tariff Commission has long hearings and makes findings and then executive agencies come around through the back door and reach conclusions that are opposite or contrary from those of the Tariff Commission.

Secretary WEEKS. In the case of those two which have been approved by the President, the Commerce position was to agree with the Tariff Commission.

Senator MILLIKIN. There is considerable complaint about the workings of the escape clause. Would you have any objection if the escape-clause procedure were stiffened up so as to make it more meaningful?

Secretary WEEKS. I think the best thing you can do under the escape-clause procedure would be to speed it up, to provide the Tariff Commission with facilities, so that when an escape action is invoked, you might get fast action.

Senator MILLIKIN. Would you object to a change in procedure that would make the findings of the Tariff Commission as far as injury is concerned conclusive?

Secretary WEEKS. Yes; I would object to that, because you would then take away the authority of the President as provided for under the present procedure.

Senator MILLIKIN. The authority of the President is limited, is it not, to those things that have an effect on the national interest, and I would prefer to put it as the security interest.

If the President's power were retained so far as that security interest were concerned, would you be willing to have the Tariff Commission's findings be conclusive?

Secretary WEEKS. No, Senator. I believe that the present procedure is the way to have it. The President should have the authority.

Senator MILLIKIN. I don't see that you are meeting the point which industry makes that despite the fact that you have a full hearing before the Tariff Commission, then the executive departments have their own private opinions which are transmitted to the President and which may negative the findings of the Tariff Commission.

Suppose the escape-clause procedure were improved so that could no longer exist, and suppose the President's rights were preserved so far as the national security is concerned.

Secretary WEEKS. Well, of course, I would not myself approve of that. It is entirely subject to what the Congress wants to do. But the present procedure is the one I would subscribe to.

Shall I just finish? I have one page more.

The CHAIRMAN. Proceed, sir.

Secretary WEEKS. In conclusion, may I stress that unless we are to give up entirely the reciprocal trade agreements idea, we must re-instate it on the statute books so that it has some degree of permanency and stability, and 3 years would seem to me to be the practical minimum.

Additionally, if we are to make any effort whatsoever toward encouraging trade, the modest approach incorporated in H. R. 1 would again seem to me to be the minimum. This approach is selective, permissive, and no previously available safeguards are either eliminated or changed in the slightest degree.

The Secretary of Commerce is charged with the responsibility not only of fostering and promoting our domestic commerce, but of fostering and promoting our foreign commerce as well.

My personal experience has been in the manufacturing field where in some instances a protective tariff is indispensable. I cannot be consistent with long-established conviction and assert otherwise. I do assert, however, that these matters are usually a question of degree, and in the instant case the President's own words assure all Americans that there is no intent to ignore the legitimate safeguards we have normally relied on to protect industry and labor standards in this country.

Increasingly now America must look abroad for its sources of raw materials, and increasingly does the world look to us as a source of important manufactured and other types of products. Our leadership in the world must be statesmanlike, not only in the political and military fields, but also in the field of economic relations and commercial trade. Should we fail to live up to the responsibilities of our leadership in any one of these fields, our success in the others may easily be jeopardized.

I would just add this one word, that the Secretary of Commerce has these two dual—sometimes conflicting—obligations to encourage the export trade and to protect the domestic industry, and we are trying to carry on with these two statutory authorizations in mind.

Senator MILLIKIN. Mr. Secretary will you have a representative attend the Geneva Conference?

Secretary WEEKS. Yes.

Senator MILLIKIN. When is that conference?

Secretary WEEKS. It started last week, the 21st.

Senator MILLIKIN. Can you tell me who your representative was or will be?

Secretary WEEKS. Our chief representatives in these negotiations involving Japan are Mr. Macgowan and Mr. McCoy, who are on the two sides of the Commerce picture, one on the domestic side and the other on the international side, assisted by a small staff of specialists.

Senator MILLIKIN. This committee has been restive over the fact that GATT has never been submitted to the Congress for approval and each of the reports of this committee for the last 2 or 3 extensions has had a so-called caveat filed to the effect that doing what we did did not approve or disapprove GATT. The reason we have 1- and 2-year extensions rather than 3 was that we wanted GATT submitted to Congress for approval.

Is it your understanding that there is a revision of GATT going on?

Secretary WEEKS. My understanding is that there is. It will be presented later to this session of the Congress.

Senator MILLIKIN. When will it be ready to submit?

Secretary WEEKS. My associate says later in the session.

Senator MILLIKIN. Our objection was that there were regulatory provisions in GATT which some of us do not believe are constitutional or desirable.

Is there a revision going on to eliminate some of these provisions?

Secretary WEEKS. We hope so, and we understand that they will be ready in a matter of weeks and presented to the Congress.

Senator MILLIKIN. Thank you very much.

Senator MALONE. Mr. Chairman, I will try to be very brief, if I may have the privilege of enlarging on some of my remarks in the record before it is printed.

The CHAIRMAN. Yes, sir; you have the privilege.

Senator MALONE. You refer, Mr. Secretary, to the reciprocal trade each time. I presume you read the Trade Act. Did you ever find the phrase "reciprocal trade" in the Trade Act?

Secretary WEEKS. I can't answer it. Mr. Chalmers?

Mr. CHALMERS. I don't know whether those precise words appear, but that is the thought toward which the whole thing builds.

Senator MALONE. It is? Whose thought?

Mr. CHALMERS. The thought of the Congress in passing the legislation.

Senator MALONE. Are you passing on what was the thought of the Congress? Did you ever read the act?

Mr. CHALMERS. Yes, sir.

Senator MALONE. Did you find the phrase "reciprocal trade" in the act?

Mr. CHALMERS. No. I do not know whether that particular phrase exists, but it all builds up to exactly that kind of a program.

Senator MALONE. That is your idea?

Mr. CHALMERS. That is my reading of it.

Senator MALONE. That is what you conclude by reading it?

Mr. CHALMERS. Yes, sir.

Senator MALONE. You don't say that Congress thought that?

Mr. CHALMERS. Congress has indicated its purpose in the opening paragraph, as I recall, and I think that is its purpose, as I read it.

Senator MALONE. Didn't they go on in the act and say that the President may decide on the basis of national good, on the entire national good, regardless of any one industry and to judge that good on factors including international political factors? Maybe you ought to read the act again.

Mr. CHALMERS. I read it many times. You are asking for a specific phrase. I should not like to reply without looking it up.

Senator MALONE. Mr. Secretary, you use it all the time in your testimony. Why do you use it?

Secretary WEEKS. Senator, this is designed to be a reciprocal-trade arrangement.

Senator MALONE. That is your conclusion.

Secretary WEEKS. In the GATT procedure you are supposed to bargain back and forth and gain and give concessions.

Senator MALONE. My friend, I have the greatest respect for you personally, and as Secretary of Commerce, but you are reading things into this act that are not there. You are reading things in General Agreement on Trade and Tariffs that has never been accomplished because it leaves the other countries a way of escape through manipulations of their currencies, through exchange permits and import permits, so it never works that way and the act does not require it.

I understood in your testimony that you said if this is not renewed, we will revert to the old logrolling days. Do you believe that?

Secretary WEEKS. Well, I believe that this is the way to handle the tariff matter and not to—

Senator MALONE. That wasn't the question, at all.

Secretary WEEKS. Do I believe it would return to the old logrolling days?

Senator MALONE. Do you believe it would?

Secretary WEEKS. If we give up reciprocal trade agreements?

Senator MALONE. If we do not pass anything, it will revert to the Tariff Commission, does it not, an agency of the Congress?

Secretary WEEKS. It reverts to the Congress, I should say.

Senator MALONE. It reverts to the 1930 law, does it not?

Secretary WEEKS. I would say.

Senator MALONE. What does it say, the 1930 law? Let your assistant answer it. He is shaking his head. What do you think it says in that law?

Mr. CHALMERS. On which point, sir?

Senator MALONE. On the point we are discussing. What have we been discussing?

Mr. CHALMERS. Would you specify it?

Secretary WEEKS. If we don't renew the act, what happens?

Senator MALONE. That is right.

Secretary WEEKS. We go back to the 1930 act.

Senator MALONE. What does the 1930 Tariff Act say?

Mr. CHALMERS. The 1930 act does not say anything about the reciprocal trade agreements because those were not authorized until 1934.

Senator MALONE. On that we can agree.

If Congress does not extend the act, you have given the impression that it goes back to the logrolling days, which of course is not true.

Secretary WEEKS. What I said was that I presume that was what Mr. McKinley had in mind.

Senator MALONE. McKinley's act was entirely different than this one.

Secretary WEEKS. I said I presume he made the proposal because of the detrimental effects which he perceived in the logrolling approach.

Senator MALONE. Let me read to you what happens. I think we can take that time. This is what happens:

The Commission—

this is the Tariff Commission—

after making an investigation on the basis of fair and reasonable competition, that there is a difference in cost—

presumably the difference in the wage standard of living, the taxes, and the costs of doing business here and in the chief competing country—

shall report to the President the results of its investigation, its findings with respect to such differences in cost of production. If the Commission finds it is shown by the investigation that the duties expressly fixed by the statute do not equalize the differences in the cost of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the Commission shall specify in its report such increases or decreases in rates of duty expressly fixed by statute including any necessary change in classification as it finds shown by the investigation to be necessary to equalize such differences

That is what you go back to. That is what the law says the Tariff Commission must do; a Senator or Congressman may appear before the Commission just as any other witness but there can be no "logrolling."

Mr. CHALMERS. You were reading section 336, I believe. I am slightly familiar with the law.

Senator MALONE. That is right. That goes back to section 336.

Mr. CHALMERS. Yes. That would call for somebody to make application for such an investigation. I am familiar with the terms.

Senator MALONE. I will read it to you so you will be entirely clear.

Equalization of cost of production.

This is section 336 to which this returns if Congress just sits still and passes nothing. It returns to the Constitution of the United States. The trade agreements already made remain in full force and effect unless the President shall serve notice on the country with which such trade agreement is made for cancellation. Then, in 6 months, that product or products reverts to the Tariff Commission, an agency of Congress, to be adjusted on exactly the same basis as I just outlined in the tariff law.

SEC. 336. EQUALIZATION OF COSTS OF PRODUCTION

(a) Change of classification of duty. In order to put in full force and effect the policy of Congress by this act intended—

and the policy of Congress, it is a principle—

the Commission (1) upon the request of the President, (2) upon the resolution of either or both Houses of Congress, or (3) upon its own motion, or (4) when in the judgment of the Commission there is good and sufficient reason therefor

upon application of any interested party, shall investigate the differences in the cost of production of any domestic article and any like or similar or foreign article.

Then it goes on to say that the difference they recommend to the tariff, and the principle is laid down so it does not come back to the committees of Congress for any log-rolling or anything else.

The Congress can at any time take up any special product like they did the sugar problem or any other article, but the law of the land is as I have indicated if 1 minute after midnight June 12, 1955, this Congress has not extended it. You understand that, Mr. Secretary, do you not?

Secretary WEEKS. Yes.

Senator MALONE. Thank you.

(The following table was submitted in accordance with Secretary Weeks' promise on pp. 55 and 56 of his oral presentation:)

DEPARTMENT OF COMMERCE, MARCH 7, 1955

Exports of goods and services from the United States fiscal year 1954

[In millions of dollars—estimated, subject to possible revision]

Total, all goods and services exported		\$20, 600
Military aid		3, 440
Other goods and services exported:		
Merchandise	\$12, 520	
Services	4, 640	
		17, 160
Merchandise sent under grant-aid programs:		
Directly financed by FOA aid	\$780	
Financed by other aid programs	190	
		970
Farm products sold for foreign currencies		¹ 180
Services provided under Government-aid programs:		
Freight	\$60	
Other	100	
		160
Total goods and services sold for cash or credits:		1, 310
Merchandise	11, 370	
Services	4, 480	
		15, 850
Total goods and services financed by U. S. Government grants or sold for foreign currencies		² 4, 750

¹ Includes \$20 million worth of the agricultural products sold to Spain for its currency, which in turn is being used by the Defense Department to defray military expenditures. (Public Law 480 was not in effect during fiscal year 1954.)

² In addition, United States foreign aid included \$500 million of nonmilitary aid in the form of cash grants or funds for offshore purchases. It is not possible to estimate what part of that amount was ultimately used for purchases of United States goods or services.

The CHAIRMAN. At this point I should like to make a part of the record the statement of the League of Women Voters in lieu of their personal appearance.

(The statement referred to follows:)

LEAGUE OF WOMEN VOTERS,
Washington, D. C., March 2, 1955.

HON. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington 25, D. C.

MY DEAR SENATOR BYRD: The League of Women Voters of the United States testified before the House Ways and Means Committee January 20, 1955, in support of H. R. 1, extension of the Trade Agreements Act. We understand

that the Senate Finance Committee prefers not to hear witnesses who have already testified on this bill on the House side, unless new material is to be submitted.

The league's position on the necessity for a more liberalized trade policy remains as stated before the House committee. For this reason, we are not asking to be heard again, but we hope that you will insert a copy of our testimony in the record of the Senate Finance Committee's hearing.

Sincerely yours,

PERCY MAXIM LEE,
Mrs. JOHN G. LEE,
President.

STATEMENT BY MRS. OSCAR M. RUEBHAUSEN, A DIRECTOR OF THE LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, BEFORE THE HOUSE WAYS AND MEANS COMMITTEE IN SUPPORT OF RENEWAL OF THE TRADE AGREEMENTS ACT

I am Mrs. Oscar M. Ruebhausen, a director of the League of Women Voters of the United States. The League of Women Voters, which consists of 126,000 members in 960 local leagues in all 48 States, Alaska, Hawaii, and the District of Columbia, appears before this committee to support H. R. 1 and H. R. 536. We support these bills renewing the Trade Agreements Act because they move in the general direction of a more liberalized trade policy for the United States. The President's proposal as embodied in these bills is a moderate one, but as a result of its passage the United States and other nations should be able in their negotiations to progress toward the goal of expanding world trade.

We know that H. R. 1 is not in itself going to solve all the problems of foreign trade. Congressional approval of an effective general agreement on tariffs and trade, improvement in our customs administration, and the necessity for other nations to remove their trade barriers all play a part in the expansion of trade. The enactment of H. R. 1, however, would be an important step forward. Failure to enact this measure or the weakening of any of its provisions would, in our opinion, lead to a contraction of trade among nations, and thus cause great harm to the United States.

We believe, however, that H. R. 1 and its counterpart H. R. 536, should be strengthened in two respects. First we think the extension of the act should go beyond 3 years. Second, the escape clause and peril point sections of the present law should be modified if not repealed. We request the committee to consider seriously these changes. Our study of United States trade policy indicates it suffers from lack of stability as much as it suffers from high tariffs. The escape clause, in particular, has caused great havoc among those most directly concerned with trade. Specifically, it has permitted some domestic industries to apply 2 and 3 times in rapid succession to the Tariff Commission for tariff protection. With such a condition foreign exporters and American importers are kept in a continuous state of uncertainty. Suggestions for modification of the escape clause that are currently being made include (1) requiring any industry which has had its case investigated and disposed of by the Tariff Commission to wait for a period of at least 1 year before reintroducing an application for tariff protection, and (2) requiring a department of the executive branch to submit a statement to the President on the effects of a tariff increase recommended by the Tariff Commission on (a) United States export markets, (b) United States foreign policy objectives, (c) the United States importer, and (d) the consumer, and that this statement be made public at the appropriate time along with the report of the Tariff Commission. Extension of the act for at least 4 years, modification of the escape-clause and peril-point amendments would do much to increase the stability of United States foreign economic policy.

I have stated the league supports H. R. 1 and H. R. 536, with the modifications just given, because the bills would help to liberalize trade. I would like to elaborate on why we think liberalized trade is so important and so much more in the national interest than a policy of protection.

First, what are the disadvantages of a policy of liberalized trade?

(1) Certain industries, unable to meet competition from imports, may lose business with a resulting loss of capital and investment.

(2) Employees of such industries may lose their jobs and, therefore, be required to look elsewhere for work.

(3) Some communities are supported by only 1 or 2 industries, and if these industries are hit by imports the entire prosperity of the community may be affected.

(4) Import competition may adversely affect industries considered vital to national defense. In a period of world tensions, such as now exists, we never know when such industries will be called into service for the protection of our country and all free peoples.

Now, what are the advantages of a policy of liberalized trade?

(1) A great many industries in the United States export a substantial part of their production. If other countries are unable to earn dollars by selling in the United States market, then these countries may be hurt. Capital investment would be lost, workers would be thrown out of work, and communities depending upon the health of the industries would suffer.

(2) More and more of our industries and our savings are going abroad to be invested. Whether this trend continues and whether it is successful depend in great part on the ability of the foreign country to earn dollars to pay a return on the investments. A policy of liberalized trade is one of the best ways to assure that private investment abroad will be successful.

(3) There is much discussion today that the United States should drastically cut down Government foreign aid and that where aid is needed it should be in the form of loans rather than grants. If foreign governments are expected to repay loans, the principal as well as the interest, then there must be an opportunity for the foreign country to earn dollars by selling to the United States. Thus the income of the Government and indirectly the taxpayer stand to gain from a policy of liberalized trade.

(4) Every individual in the country is a consumer of goods. As such, he stands to gain when a variety of goods is offered at competitive prices. Liberalized trade benefits the consumer because the quality, variety, and price range of goods tend to be greater than under a system of restricted trade.

(5) The United States, in its struggle against Communist domination of the world, is strengthened by having the maximum number of countries remain free and by having these countries militarily, economically, politically and spiritually strong. Liberalized trade is by no means a panacea for the defense against Communist conquests but it will go a long way toward attaining and maintaining the economic strength of free countries, since all other nations in the free world, being less self-sufficient, depend on foreign trade to an even greater degree than does the United States.

When these advantages and disadvantages of a policy of liberalized trade are examined, we believe there is no doubt that the national interest is best served by adopting measures, such as H. R. 1 and H. R. 536, which move in the direction of liberalized trade.

If our Government pursues such a policy, should the disadvantages be ignored completely? Some can argue that under a free-enterprise system those industries which cannot meet competition should do their own adjusting as is done every day by many business concerns. The League of Women Voters does not entirely share this view. We believe consideration should be given to the industries genuinely hurt by increased imports, but we do not think the answer lies in the escape clause or in any other means which offers only tariff or quota protection. In fact, we do not think there is any single answer. We do not even think facts are available on the extent of the problem.

Several proposals to deal with industries hurt by imports have been offered from different sources. The use of customs receipts as payment to an essential industry such as wool; customs receipts to encourage research in an industry such as fish fillets; stockpiling of strategic metals, and measures to offer industries, workers, and communities special assistance in the form of loans, technical information, and increased unemployment compensation are all possibilities that we think should receive more consideration on the part of Congress.

The League of Women Voters, in studying various aspects of United States trade policy, has found it increasingly important to find out more specifically how individual industries and communities are affected by foreign trade. There is no doubt in our opinion that United States trade policy should serve the overall national rather than the limited interest, but we believe additional information should be forthcoming on such questions as whether present unemployment is aggravated more from a decline of exports or from an increase of imports. We have embarked on a project which we hope will shed more light on such questions. Last summer, local and State leagues throughout the country began to conduct surveys to determine the local effects of foreign trade. In conducting the surveys local and State leagues are collecting basic data on the economic life of local communities and then interviewing individuals engaged in manufacturing, mining, and agriculture to gather additional facts and opinion. We want to see

whether in individual communities the balance of interest lies in expanding foreign trade or in contracting it. We want to find out what communities have done and are doing when their economies have become depressed, because of general economic conditions, because of a decline of exports, or because of an increase of imports. We want to find out what proposals to aid economically depressed areas and industries seem most feasible to the people concerned.

The league realizes that to conduct accurate and objective surveys, assistance is needed from professional men and women who have special knowledge of their area and the subject. Members of local chambers of commerce, economists from the departments of business administration at local and State universities, and social-science research institutes are among the groups cooperating with the league. As each survey is completed it will be forwarded for their information to the Representatives and the Senators who represent the community in Congress. I do not wish to go into detail here, but I would like to submit as a separate document the progress various States have made to date on their surveys.

In conclusion, the League of Women Voters earnestly requests that this committee report out a strengthened H. R. 1 and that it do all it can to secure passage of the bill by the entire House. I want to express to members of this committee the appreciation of my organization of the opportunity to present our views on this important subject.

The CHAIRMAN. The committee will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 1:20 p. m., the committee adjourned to reconvene at 10 a. m., Thursday, March 3, 1955.)

TRADE AGREEMENTS EXTENSION

THURSDAY, MARCH 3, 1955

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, George, Kerr, Frear, Long, Barkley, Millikin, Martin (Pennsylvania), Williams, Flanders, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Hon. George M. Humphrey, Secretary of the Treasury.

Mr. Secretary, we are very happy to have you with us.

STATEMENT OF HON. GEORGE M. HUMPHREY, SECRETARY OF THE TREASURY, ACCOMPANIED BY GEORGE H. WILLIS, DIRECTOR, OFFICE OF INTERNATIONAL FINANCE, DEPARTMENT OF THE TREASURY

Secretary HUMPHREY. Mr. Chairman, I will read a prepared statement, if I may, to start with. It is not long.

Mr. Chairman and members of the committee, in my contacts over the past 2 years with foreign financial officials I have been impressed with two major principles in our economic relations.

First, the importance of keeping our own economy strong and dynamic and sound. Our policies are directed toward economic strength and growth—toward greater freedom from governmental interference and control. Our policies aim at encouraging initiative and freedom and maintaining economic progress and a high level of economic activity at relatively stable prices. Such a condition helps international trade in both directions. A strong internal economy helps to keep us competitive and makes our goods attractive to foreign buyers. It also promotes a high level demand for imports. With high levels of business activity, the capacity of our economy to absorb imports is enormous—particularly imports of raw materials.

Maintaining the strength and value of the United States dollar is a vital part of our contribution to international monetary stability—for the United States dollar is the yardstick for all of the currencies of the free world. The free world's vigorous economic growth must rest on a sound financial basis. What is essential for our own strength

at home is equally essential for the other free nations of the world. Many countries, I am glad to say, are appreciating the importance of keeping their financial houses in order not only to strengthen their internal economies but also to keep their foreign payments and receipts in balance. I am encouraged by the progress many of these nations have made toward more internal stability and toward convertibility of their currencies.

Convertibility will be encouraged by a balanced development of world trade; and, in turn, will contribute to such a development. Progress toward convertibility means and is measured by progress in removing trade and exchange restrictions.

The second point which has impressed me in my contacts abroad is the concern of foreign countries with the broad direction of our commercial policy. Foreign countries do not expect us to lower our tariffs drastically. They want to have, however, assurance of continuity in our policies and they watch for moderate steps in the direction of our objectives. This suggests the desirability of a 3-year extension of the trade agreements program. A 3-year period would provide reasonable assurance of such continuity.

The bill before you is moderate. It preserves all existing safeguards for our domestic producers. It does not contemplate any drastic changes which would adversely affect sizable groups of our citizens.

I would like to mention one other broad principle in connection with the bill. From the budgetary viewpoint, the President's trade program should help to reduce Government expenditures for foreign aid over a period of time. I believe it is best, where possible, for foreign countries to earn their way rather than receive aid from the United States Treasury. This bill is a further step in that direction.

The Treasury Department is actively working on other aspects of the President's program to promote foreign trade and investment. Among these is a proposal revising somewhat earlier Treasury recommendations which have previously been presented to the Congress and which have not been finally considered because of the lack of time.

This proposal will provide for the amendment of the standards governing the valuation of imported articles, for the conversion of currency into dollars for customs valuation, and for the repeal of certain obsolete provisions in the customs laws. The revision of the complex valuation provisions of the present law to make the process of appraisal more prompt and efficient as well as more commercially realistic is particularly important.

Our program for customs simplification and management improvement, begun by the Customs Simplification Acts of 1953-54, will continue. We expect to have some additional proposals for administrative improvement to make to the Congress during the present session.

In the field of taxation, consideration is again being given to certain changes in the revenue laws with respect to taxation of income earned abroad so as to tax corporate business income from foreign subsidiaries or branches at a rate of 14 percentage points lower than the rate on corporate domestic income, and to defer tax on foreign branch income until it is removed from the country where earned. This rate is already effective for Western Hemisphere trade corporations.

These proposals are not large or costly but are designed to encourage sound private United States investment abroad.

Another important part of the administration's program on which the Treasury is working is the proposal for an International Finance Corporation to be established as an affiliate of the International Bank for Reconstruction and Development. The purpose of the Corporation will be to stimulate private investment in underdeveloped countries by providing venture capital through loans without government guaranties, thus filling a need which is not being met by any existing organization. The preparation of a charter for the Corporation is proceeding steadily in the International Bank.

While all of these proposals are important, the reciprocal trade agreements legislation now before you is desirable because its enactment will permit the United States to follow a sound trade policy consistent with both our domestic and our international needs.

In conclusion, I cannot emphasize too strongly the importance of maintaining a high level of employment and economic activity right here in the United States upon which the whole world depends. Serious reversals here would have serious unfortunate effects throughout the entire world.

The CHAIRMAN. Thank you very much, Mr. Secretary.

Senator GEORGE, do you have any questions?

Senator GEORGE. I have no questions.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. Mr. Secretary, I noticed your last paragraph. Does that carry the implication that we have to run our trade affairs on a basis that will not destroy our domestic industry?

Secretary HUMPHREY. That is right, Senator.

I think that the most important thing in connection with this whole matter is that we so conduct ourselves in the development of our foreign trade relations and the development of all of our relations and our fiscal policies, that the United States is kept at the highest possible level of economic activity and employment.

Senator MILLIKIN. You could not preserve the highest level of economic activity if we destroyed our domestic payrolls?

Secretary HUMPHREY. That is correct. I think I can best state my feeling about this in this way: We want to protect American industry and workmen from improper importation from abroad.

Senator MILLIKIN. Would you call it unfair competition?

Secretary HUMPHREY. Unfair competition from abroad.

Secretary MILLIKIN. Right.

Secretary HUMPHREY. On the other hand, we have a great many American workmen in a lot of American industry that are engaged in export, the production of goods for export, and they want to be protected as well, and should be protected as well, to promote the highest level of employment in this country and activity here.

It seems to me that this matter is a case by case determination, requires a case by case determination, as we go along, and in each case the measure of our action is what is best for the United States, not on a selfish, temporary basis, but on a broad basis, having in mind all of the activities and all of the employees and all of the workmen in this country who need to be looked after and protected.

I think a broad consideration of our best interests should be the criterion for decision in each case, and each case should be considered

one at a time, as we go along, and in that way we will learn what we can and cannot do that will be for our best long-term, broad interest.

Senator MILLIKIN. During the war and for quite a considerable period we had varying emergencies, what might be called an artificial exportation of our products which was stimulated by our own giveaway policies and our own foreign loans, and that sort of thing.

Is it the Secretary's idea that we must continue those exports, either by tariff concessions or by continuing the giveaways or stimulants that we have given these countries during emergencies and wars?

Secretary HUMPHREY. I think, Senator, that we are reducing, to a considerable extent—and should reduce as we go along—our foreign—I won't call them giveaway programs—our foreign programs for aid in various directions. Also, to some extent, that involves our military expenditures.

Now, we must have this also in mind, that this Reciprocal Trade Act which has been in force for a good many years has never really been competitively tested in almost the entire length of time it has been in. Because almost the entire length of time, almost our entire experience during this law, we have had either wars or aftermaths of wars or varying conditions that were not normal.

So I believe as a proper starting point, I do not believe we want to take radical action. I do not believe we know what the effect of the continuance of this act will be, but that the thing to do is to start out with it and move, as I say, case by case, in the direction that is going to be for the best interests of our long-term interest.

Senator MILLIKIN. Doesn't it follow from that, Mr. Secretary, that at least in some cases it would not be wise for us to attempt to continue these, let us call them, artificially stimulated export markets?

Secretary HUMPHREY. I think that is right. I think there may be cases where tariffs may be reduced. I think there may be cases where tariffs will have to be increased. I think the matter will have to be studied carefully, and I think this law is a good starting point and does preserve the proper provisions that will permit of the proper case-by-case determinations as we progress.

Senator MILLIKIN. This committee has already demonstrated its interest in relieving the customs from unnecessary complications and difficulties, but when you come to customs valuations, it is not in your mind that we make rules of customs valuations that, in fact are disguised, are a disguise for reducing tariffs, unless it should be considered desirable to reduce them in and of itself.

Secretary HUMPHREY. That is right. I don't think that we ought to fool people by evaluation provisions—I don't think we ought to have a reduction in disguise, nor should we have an increase in disguise. The simplification provisions which we will be presenting to you very soon, which have been under discussion and are now being worked out, should remove from the field of evaluation disguise either way, in the tariff applications.

Senator MILLIKIN. I think you have already said what I have in mind. We want to make it possible for foreign countries to trade in this country, but we don't want to destroy our own domestic economy or injure it seriously to accomplish that objective.

Secretary HUMPHREY. I think that is right. Our long-term best interest is what we should seek to preserve.

Senator MILLIKIN. I may say to the Secretary that this committee has not favored a 3-year extension period the last 2 or 3 times this kind of bill has been up. The reason for that has been that we want to take a look at GATT before we grant an extension as long as 3 years. I think there is considerable objection to a lengthy extension on the part of both parties because of the dislike of many Members of Congress of GATT, and it has been understood that a new GATT would be submitted to us for approval.

Do you know anything about that?

Secretary HUMPHREY. I understand the committees are working on GATT. I haven't seen any reports yet. I don't think they are finished, so I am not prepared to make any statement with respect to GATT. I don't know how it will come out and be in final form.

Senator MILLIKIN. I want to invite your attention to that fact, why there have not been more 3-year extensions in the last 2 or 3 times. That is because we want to see GATT and decide whether we approve it or disapprove it, because the two are interrelated, and it is hard to give a 3-year extension when we are asked do it without knowing whether we will continue under GATT, or GATT will be changed.

Secretary HUMPHREY. I suppose they are interrelated, Senator, but I think that one of the important things, as I have observed, is that we let the world know the general course which we are taking, that we are approaching it—I don't mean that it is not subject to change from time to time because I think it should be, but that we aren't proposing a radical revision; that we are moving along in a gradual—that we are evolving rather than having a revolution.

Senator MILLIKIN. Yes.

I notice—it is probably an implication in the bill that has come to this committee, that rates that happen to be more than 50 percent are, in and of themselves, presumably evil. I invite the Secretary's attention to the fact that those rates have survived negotiations and suggestions for change since the beginning of the Trade Agreements Act, and I don't believe that that sort of an assumption is a sound one.

I think one of those rates should be tested by itself on a case-by-case basis, as you say, but that it should not be automatically assumed that all rates 50 percent or more should be brought to 50 percent or to some lesser amount because they are in that high category.

In other words, our experience has shown that even where the rate is 50 percent or more, there are many cases where importations dominate our domestic market, and that may be one of the reasons why they have not been reduced by administrations that favored and have accomplished severe reductions of tariff rates.

I would ask the Secretary whether he believes that a rate that is 50 percent or more is evil, per se.

Secretary HUMPHREY. I am not prepared to answer that, Senator. I cannot tell you in detail. My general feeling of the matter is that the cases should each stand on their own merits.

Senator MILLIKIN. Thank you.

The CHAIRMAN. Senator Kerr?

Senator GEORGE. Mr. Chairman, may I make one suggestion? It isn't a question.

The main difficulty with this act from the beginning, Mr. Secretary—and I had some responsibility in the beginning for its enact-

ment—has been the lack of a practical-minded administration of the act, if you know what I mean.

Secretary HUMPHREY. I do.

Senator GEORGE. Those people who are good in theory and fine in vision may have done some remarkably good things under the act, but at times I have been worried and greatly disturbed because it was not being administered by men of practical business experience or men of practical business minds.

You have a more vital stake in this act, I agree, and in its proper administration as Secretary of the Treasury than even State. While State is trying to maintain amicable relations, you are responsible in a very high degree for a stable, sound position here in the United States. After all, that is going to control our foreign policy.

It may not in every instance do it. It may not do it fast enough, but it should have a remarkably close tie-in with it, and it is important from the standpoint of our own economy that this act be administered fairly, but by at least practical minded men.

It doesn't necessarily mean that they have been engaged in this line or that line of business, but there is a difference between a practical minded man and one of our lovable visionaries.

Secretary HUMPHREY. Mr. Senator, I just couldn't agree with you more. I think that it is absolutely essential that it be done that way, and I think also that that is one of the most difficult things to accomplish.

Senator GEORGE. It is difficult.

Secretary HUMPHREY. That should be our objective.

Senator GEORGE. That should be our objective, and that means a case-by-case scrutiny of the industry and of its effect on the general economy, as well as its effect on the individual enterprise that is seeking relief from time to time.

Secretary HUMPHREY. And taking into account both those who need protection against imports and those who need protection of exports.

Senator GEORGE. Yes, sir. Thank you very much.

That was a voluntary observation on my part.

Secretary HUMPHREY. It is exactly in accordance with the way I feel, myself.

The CHAIRMAN. Senator Kerr?

Senator KERR. Mr. Secretary, on page 2 you say :

The bill before you is moderate. It does not contemplate any drastic changes which would adversely affect sizable groups of our citizens.

I wonder if you would summarize just briefly the changes that it does accomplish.

Secretary HUMPHREY. My pages are different than yours, Senator, and I have a little trouble following you. I will see if I can get the same copy you have, and then I can follow you better. Can you tell me where you are?

Senator KERR. It is the last sentence of the second paragraph on page 2.

Secretary HUMPHREY. What is your question?

Senator KERR. I ask you to tell us briefly, summarize briefly, just what changes are contemplated by the bill before us.

Secretary HUMPHREY. The important changes that are contemplated by the bill are the permission of the President to make the 5 percent reduction over a period of 3 years—

Senator KERR. Five percent each year?

Secretary HUMPHREY. Yes.

I think that is the key change that perhaps you have in mind, or that anyone would have in mind.

Senator KERR. Aside from that, do you think that just a simple extension of existing law for whatever period of time Congress decided to extend it would generally meet the objectives of the bill?

Secretary HUMPHREY. I am not prepared to say that the bill doesn't have some technical things that should be taken into account. I am not prepared on the technicalities of this operation. That is not the Treasury's function, and I am not a technician in this regard.

Senator KERR. I am not trying to examine you on that. I was trying to get in simple words, such as you are famous for being able to give, the issue before us.

Secretary HUMPHREY. In general, it is starting with an extension of this as a base to begin from, and then see where we go from there, as I see it.

Senator KERR. But the recommendations—

Secretary HUMPHREY. Case by case.

Senator KERR (continuing). That you make in general, aside from the technical provisions that implement the law, are first an extension of the authority?

Secretary HUMPHREY. That is No. 1.

Senator KERR. Second, give the President power to reduce existing tariffs 5 percent a year, each year, for 3 years?

Secretary HUMPHREY. Not to exceed.

Senator KERR. Either way you say it; that or less.

Secretary HUMPHREY. That is right.

Senator KERR. Now—

Secretary HUMPHREY. That doesn't necessarily mean that there will be any.

Senator KERR. You said that we have had an abnormal situation most of the time for the last 10 or 15 years?

Secretary HUMPHREY. I think so.

Senator KERR. Do you contemplate it is going to be much different in the future?

Secretary HUMPHREY. Well, that is pretty hard to say. I hope we are not going into another world war.

Senator KERR. Aren't we in just about that degree of tension and aren't we operating, both our Government, and haven't we had our economy tuned up to a condition or situation of tension, which you could say is comparable to the average of what the situation has been for the last 15 years?

Secretary HUMPHREY. I wouldn't think so, quite. We not only were in an actual state of war during some of those years but there were other years when our foreign competitors were absolutely flat on their backs, when they had no production and we had no competition from them and couldn't have.

Now we are emerging into a period where they are no longer flat on their backs, but where they have been rehabilitated, and rehabilitated with modern machinery and equipment and techniques.

It may be that we will be heading into an even more competitive period than we have seen in a long time.

Senator KERR. Let me ask you this: You agree with me that both in the present and foreseeable future we are not in for normal times, certainly on the basis of the long view of history.

Secretary HUMPHREY. I think that is right. I hope not.

Senator KERR. Would you tell the committee briefly what your basic concept of the objectives of this legislation are.

Secretary HUMPHREY. Yes. I think that what we want is to have the greatest volume of trade that we can have in which this country can participate, without injury to our own domestic situation. I mean by that, injury on balance.

I think that what we want to have is the greatest production in this country for our own consumption that we can have, and the greatest production we can have for export which involves the receiving of imports, in order to get your money abroad with which to pay for the exports, that we can have without injuring ourselves, and I think that our long-term interest over a long-term period—not a short-term selfish, small interest—but our own long-term practical interest, should be the criterion in our conduct, our administration of this law, as we go along.

Senator KERR. Would you say that the best objective we could reach would be one where we were permitted to sell and export greater quantities of our products, or the situation where we could buy and import greater quantities of products produced elsewhere and shipped into here, or a situation where there was a reasonable balance of the two?

Secretary HUMPHREY. Well, I think that if you are talking ideals, the ideal would be that we have more exports than imports, and that the difference would be made up by foreign investment and foreign travel; that is, investment by this country abroad and foreign travel, which would equalize the balance of payments to permit the excess of the exports over the imports. That would be the ideal that would give us the maximum of activity here at home.

Senator KERR. I want to say that I agree with you. It seems to me that granting of power to further reduce tariffs would create just the opposite.

Secretary HUMPHREY. I don't know that it is just a matter of reduction. From my point of view, it is a matter of adjustment as we go along.

I will be perfectly frank about it: I think there may be cases that develop as we go along where there may have to be some increases in tariffs. I don't think it is all a one-way street. These things have to be studied very carefully, case by case, and a practical determination arrived at.

Senator KERR. Let me ask you another question. To the degree that our objective is to develop the economy of other nations—and that is one of the objectives, isn't it?

Secretary HUMPHREY. That is right. That will increase our markets in the world.

Senator KERR. Are we best served by a program that will develop greater industry in a friendly nation, that is owned by the interests in that nation, or by owners in this country?

Secretary HUMPHREY. I think that investment by Americans in foreign countries is a desirable thing to have developed—

Senator KERR. For what primary objective?

Secretary HUMPHREY. Where it can be done on a sound basis.

Senator KERR. For what primary objective?

Secretary HUMPHREY. Both to help build up the economies of other countries and to make returns for this country, and balance off an excess of exports over imports out of this country.

Senator KERR. Don't you believe to the extent that we encourage American industry to go abroad where they can get both raw materials and labor cheaper than they can here and build productive capacity for the principal purpose of exporting their products back into this country, on and on, which operation they pay for less taxes for than they do here, is, in the long run, detrimental to our economy?

Secretary HUMPHREY. If that is the case, I do. I don't think that necessarily is the case where investment is done abroad. I think investment can be made abroad, which will stimulate greatly the production of things abroad, for foreign consumption.

I think that is a very desirable thing to have accomplished.

Senator KERR. Isn't it a fact that substantial portions, if not most, of the investments by American industry abroad thus far have resulted more in production that has been imported into this country to compete with our own, rather than production that has been disposed of there?

Secretary HUMPHREY. Senator, I don't have the figures. I will be glad to try to find them, but my own personal experience in that is exactly the contrary. The cases I personally knew of before I came here, where investment was made abroad by American companies, was for the purpose of making foreign sales and expanding foreign business in the country where the production was made.

Senator KERR. Let's look at the situation of western minerals—lead and zinc—just as examples. Isn't the principal source of trouble of domestic producers the result of imports by American producing companies from their sources of supply abroad?

Secretary HUMPHREY. I think the story is a little broader than that. We haven't got enough lead and zinc in this country to supply our needs.

Senator KERR. Do you have access to these figures? What percentage of imports are brought in here by American companies operating abroad?

Secretary HUMPHREY. I think that probably—and these are very round figures—in normal times—and, of course, everybody has to define what we mean by these normal times in the future—we can produce about 50 to 60 percent of our lead and zinc requirements, and I think we will have to import a substantial amount.

Senator KERR. Don't you think that the imports should be limited to necessary quantities that we are unable to economically produce here?

Secretary HUMPHREY. I think the very sound thing that we should do, Senator, in a case of that kind—and that is particularly true in cases like lead and zinc, where our mobilization base is of great importance, where our own position in the event of war is of tremendous importance—I think we should try to maintain in this country the maximum reasonable practical mobilization base, and that we should protect that base against destruction from outside, to the extent that it is a reasonable mobilization base, a reasonable base for the things

we need and require in this country and would be of vital necessity for us in the event of war.

Senator KERR. If a correct analysis of the situation disclosed, first, that the imports had not only immobilized the domestic industry but, secondly, indicated not only a supply available far in excess of our needs, but that presently it was coming in here at a rate far in excess of our needs and, thirdly, that the imports were principally by American companies operating abroad because both the source of supply abroad and the cost of getting it was less than it was here, wouldn't you think that the operation of the program should be changed, or the program should be changed sufficiently to correct that?

Secretary HUMPHREY. That depends, I think, on how much of the difficulty is of a fundamental and permanent character, and how much is as the result of the reduction of present requirements from war peak and stockpile requirements.

We have adjustments to make not only with respect to things that come from the outside but with respect to many things that are made on the inside, where there is no importation, which were tremendously stimulated in this great upsurge that we took in our fear of the consequences when we got into the Korean war. We built up our resources tremendously. We built up our demands tremendously, way above anything that was necessary, and right on top of that we began also increasing our stockpiles for the future. That was all because of our security, because of protection. It wasn't an economic move at all. It was stimulated entirely by our desire to protect ourselves in the event of war.

As that has subsided and as we are moving out of that, we have a lot of temporary situations, both inside the country and outside the country, where until the accumulations that were created at that time and until the unsound new producers, high-cost producers, unusually stimulated producers, until they are absorbed in one way or another, we have a difficult period to go through to get back onto what I visualize as a sound, commercial operating base. I think we have to work ourselves through that period both in many industries in this country as well as from things that come from abroad.

Senator KERR. You are aware that our lead and zinc industry is practically immobilized in this country, are you not?

Secretary HUMPHREY. No, I am not. I think we are producing a pretty good percentage of what we should and can produce at a reasonable cost.

Senator KERR. Would you be surprised to know that three-quarters of the mines are shut down?

Secretary HUMPHREY. No, I wouldn't be a bit surprised. When you say three-quarters of the mines, I think that perhaps three-quarters of mines that were in production during the last few years, when a tremendous amount of very high-cost production was stimulated. That probably is not normally economic at all. That is one of the very things that will have to be reduced. The same thing is true in the coal business. The same thing is true in a lot of businesses where it isn't the importations that are doing it. It is the stimulation that we had of uneconomic, increased productivity which is not normally commercial.

Senator KERR. You referred to the oil business, and I am glad you did. I am sure that you are aware that every bit of the burdensome

volume of imports coming into this country now to the detriment both of the domestic oil industry and the domestic coal industry is being brought in by American operators who produce abroad and bring it in here into this market because the supply is cheaper there and labor is cheaper there.

Secretary HUMPHREY. I think very much the same—

Senator KERR. That is true, isn't it, generally?

Secretary HUMPHREY. I think very much the same thing is true—and my attitude of what should be done in the oil business is the same as that which I have indicated in the lead and zinc business. I think that there we want a home mobilization base of strong, solid, good proportions. I don't think it should be such as will stimulate the productivity or the continuing production of extremely high cost and uneconomic operations here. I think we should have a sound operation here, a sound and competitive operation here, and I think to assure that, through one course or another, by voluntary action or by law if required, of some kind, we should be protected against the raiding of this market from the outside.

Senator KERR. We developed this program along the concept that you said was your concept, to develop a strong mutual interchange of commercial transactions, trade, and commerce, build strength in the economy, not only in our own country, but in that with the countries with whom we trade, and in the main friendly countries.

Secretary HUMPHREY. That is right. We need them.

Senator KERR. Yes, we need them. It looks to me, Mr. Secretary—and I would like to know whether you disagree with this—that we have gone a lot farther in developing opportunities for American operators to produce abroad and bring the products in here to their profit. I am not against their profit. Nether am I for a situation that has that result, that was designed for another purpose, and that was to develop the economy and trading ability of our neighboring countries, which we do not do by building greater industry which has its domicile and its identity here, but its operation there, and the extent to which it is built enriches them without providing a stronger base for international trade.

Secretary HUMPHREY. I think, Senator, as I said before, a substantial part of this stimulation both at home and abroad was brought about by this great wave of protection we sought.

Senator KERR. We are talking about the future.

Secretary HUMPHREY. In the future I think what we should seek is very much what Senator George suggested as a practical approach to the maintenance of a strong mobilization and industrial base in America and to the extent that that is required, that we have some limitation on things that might destroy it.

Senator KERR. You talk in here, first on page 2, about measures calculated to further strengthen American operators who go abroad where supplies and labor are cheap and to develop products to bring in here to compete with local or domestic production. You say there on page 2:

In the field of taxation, consideration is again being given to certain changes in the revenue laws with respect to taxation of income earned abroad, so as to tax corporate business income from foreign subsidiaries or branches at a rate 14 percentage points lower than the rate on corporate domestic income, and to defer tax on foreign branch income until it is removed from the country where earned.

That is No. 1. Over on the next page you talk about another important part of the administration's program and you say :

Another important part of the administration's program on which the Treasury is working is the proposal for an International Finance Corporation, to be established as an affiliate of the International Bank for Reconstruction and Development.

The next sentence reads :

The purpose of the Corporation will be to stimulate investment in underdeveloped countries by providing venture capital through loans without Government guarantees, thus filling a need which is not being met by any existing organization.

The point is that you are working toward the development of stronger competitors with domestic industry and domestic sources of supply, it would seem to me, on a basis removed from a program calculated to develop reciprocal or mutual trade between this Nation and other nations.

Secretary HUMPHREY. No. I think that is not true, Senator. I think it is a matter of balance. Let's just take a few specific instances. There are a great many things—take iron ore. We will take oil and gas. We will take oil and not gas.

Senator KERR. You can take gas because we are bringing in oil and gas from Canada.

Secretary HUMPHREY. That is right. Lead and zinc.

From the point of view of our mobilization base, we can take into account the whole of North America. I am thinking of our mobilization base and what is available to us in the event of war. I think there are a number of raw materials, essential raw materials that can and should properly be developed, particularly in North America or within easy reach in South America that will be available to us here in the event of necessity and of growing importance to our current operations that we can advantageously use in this country, cheaper raw materials within that sphere of activity to lessen the cost of the finished products to the people of this country. I think those raw materials can be reasonably stimulated and brought in. I think by stimulating them there, it also stimulates the economies of the countries from which they come and puts those countries in a better position to buy things of other kinds that we can export. By making investments of our money in foreign countries, we are helping to balance an excess of export trade as against import trade, which I think is desirable for the strengthening of our economy here at home. I think both from the point of view of our security and from the point of view of the strength of our economy in developing an excess of exports over imports and thereby giving us a maximum of employment and activity in this country, that it is a good thing to stimulate investment abroad. If the buildup of such investments abroad raises the standard of living in their country and increases the demand, the more that is done, the more we have the opportunity to supply it and thereby bring money to us besides—

Senator KERR. If it does just the opposite, bring about a situation where they are in better position and not in an improved position to send it out, that is just the opposite.

Secretary HUMPHREY. It is conceivable that such a thing could occur. But as I say, in practice, I just do not know of it being done for that purpose. You take the tire companies, the chemical com-

panies, all kinds of companies in this country, soap companies—you can go through a list a mile long—and you go and find that you ride from the airport into London or ride from the airport into Paris and you see American signs all along the road, and those are industries that are making their products for sale in those countries, not to be made there and sent back here at all. In fact, we have sent some money abroad to help do that and it has given us an excess of exports over imports, to help our production here at home, and it is raising the standards of living in the other countries of the world, and it is increasing their demands and until people get a taste of something, their demands don't rise. What we want is to have more and more demands of people that have a taste of something better who want more of it, and that gives us a chance to meet it.

Senator KERR. We are talking about a reciprocal trade program.

Secretary HUMPHREY. That is right. This has to be balanced out reciprocally.

Senator KERR. Do you think the term "reciprocal" is just as vital as the term "trade"?

Secretary HUMPHREY. That is right.

Senator KERR. I would like to ask you this other question then. To the extent that we have operated both this and other programs to improve the economies of the friendly countries, isn't the situation far different today than it was a few years ago?

Secretary HUMPHREY. In what regard?

Senator KERR. Aren't there a lot of those countries with a balanced budget and a surplus and faced with the problem of preventing inflation rather than, as it was a few years ago, when we formulated these programs, when they were practically prostrate?

Secretary HUMPHREY. Oh, yes. I pointed that out.

Senator KERR. And in a situation of tremendous deflation.

Secretary HUMPHREY. I pointed that out a moment ago that they have much better economic conditions now, and by that same token they are much more competitive.

Senator KERR. That being the case, then shouldn't we at this point be just as concerned about either strengthening our own competitive position or of unduly adding additional strength to theirs, because what we have thus far done has so greatly changed the situation to where, when we started, they needed help to exist, and now we are going to have to strengthen ours to survive in the competition we have helped to develop.

Secretary HUMPHREY. You are certainly 100 percent right, and I am very concerned about keeping our competitive position, increasing our competitive position and increasing our own productivity here to the greatest possible extent.

Senator KERR. Then don't you think we should be concerned more about increasing some of these tariffs a little than we should about further reducing them?

Secretary HUMPHREY. I said, Senator, that I am not at all sure, as we move forward on this line, in making these adjustments, that there may not be some tariffs that will have to go up, some protection that will have to be provided as well as some that may be left alone, and some that may possibly be reduced.

I think it is a matter, as I have said right at the beginning, and Senator George put it better than I could, this is a matter of practi-

cally a case-by-case determination of what is our own long-term best interest, and I think it can be done carefully, and we ought to be smart enough to do it well.

Senator KERR. In that respect, along that specific line, about the case-by-case analysis and determination, how would you feel about a provision in this that when the Tariff Commission makes a case-by-case application and analysis and determination, that the effect here unless the President found for the national defense or welfare an exception should be made, in which event the Congress might have the opportunity to review it to enable them to say that in spite of the fact that the Tariff Commission had on a case-by-case basis found that certain things should be done, he declines to act on it and therefore it is ineffective.

Secretary HUMPHREY. I think, Senator, that this is going to take the combined best judgment of everybody in this Government. I think this is one of the most difficult fields that we have to handle, and I think that there should not be straitjackets or limitations on the man who is in the best position to know most of the various ramifications that there are involved in it.

Senator KERR. Don't you think the Tariff Commission is in a better position to make that case-by-case analysis than the President?

Secretary HUMPHREY. Not necessarily. In fact, I am sure they are not.

Senator KERR. Do you think his experience or the time he has to devote to it are such that will enable him to make an intelligent analysis and decision than those whom he himself has appointed who are experts in that field and devote their full time to it?

Secretary HUMPHREY. And with the assistance of all. He has the assistance of everyone in the Government to help him that we can call on and a broader knowledge of the Government and the necessities of the country than any other person in it.

Senator KERR. When he is not familiar with the details himself, isn't it possible that he might have too much help?

Secretary HUMPHREY. I don't think you can have too much help. You might have some of the wrong kind.

Senator KERR. I appreciate very much, Mr. Secretary, your frank and comprehensive answers to the questions I have put to you.

The CHAIRMAN. Senator Martin.

Senator MARTIN. Mr. Chairman, I will try not to duplicate what has been stated by Senator Millikin and Senator George and Senator Kerr, but all three have brought out to my mind certain very important things.

We pride ourselves that we are a government of laws and not of men, but it seems to me that it has been developed here this morning that it is going to be very necessary to have the highest type of men—and men that have great knowledge and great courage—to administer the reciprocal trade agreements of our country.

Do you think that is correct?

Secretary HUMPHREY. I certainly do.

Senator MARTIN. Mr. Secretary, you stated a moment ago that we are interested in protecting the working people of our country whose product is to be exported, and we also want to protect the workingmen who make products that are competitive with importation.

Secretary HUMPHREY. That is correct.

Senator MARTIN. Isn't it true that those exporting are largely those of the big concerns of our country and the others are the small, what we call, the one-community industries?

Secretary HUMPHREY. Senator, I don't believe I would have any way of knowing that. I don't know that. I don't see why it should be so.

Senator MARTIN. We will take the automobile industry. We will take the food industry. Take in my own State the Heinz industry which has developed factories all over the world. What I am getting at is that it makes it still more important that we probably write into this law certain safeguards and then we must insist on a group of men to administer who will, I hope, resolve things in favor of the workingmen of the United States.

Secretary HUMPHREY. It seems to me from my limited experience in that field, that you have all the safeguards you need. I think to get the best possible men is certainly a very desirable and a very necessary thing to do because it is a very difficult thing to administer.

There is one further thing that has to be mentioned that must be taken into this very fine balance, this very fine equation, and that is the American consumer. The American consumer is entitled and should have price competition on his products and if the development of this country shows that an industry is way out of line in competition with something that can be imported, it is to the benefit of all the American people if that price competition prevails so they may enjoy cheaper prices. So you have this extremely delicate balance with respect to the protection of the consumer, with respect to the protection of the man who is competing with imports and for the protection of the man who is making goods for exportation. Those things have to be carefully balanced out.

Senator MARTIN. I realize that all those things must be considered, but unless the consumer is gainfully employed, he doesn't have anything with which to purchase the goods that are imported regardless of how cheap they may be. Take for example the watch industry of our country. There were 8,000 men employed approximately in the watch industry of our country. There isn't any question that by reason of wages and things of that kind the Swiss can make watches much cheaper than we can in our country. Nevertheless, it seems to me that those industries should be protected, because they are precision instrument workers in case of war.

Some of us made quite a fight—and the President went along with us on that. Of course we were terribly criticized by a great many newspapers all over the United States because we made that fight.

Senator Kerr brought up the matter of fuels. You are very well informed about fuels, as it relates to our part of the country. It is an enormous struggle for the coal industry, which affects the railroads. You take the oil industry in States like Pennsylvania, Ohio, West Virginia, and Kentucky, where the wells are down to a very small production, yet those who know say there is more oil in the ground than has ever been taken out. It looks as if that ought to be in some way protected because there are thousands and thousands of men employed in those fields, and they are technical men, and you cannot put them in other kinds of employment, just like coal miners.

As you know, probably much better than I do, a coal miner cannot very easily go over and take some other kind of a job.

What I am getting at is that I somewhat feel that things like that ought to have some kind of protection and help.

Secretary HUMPHREY. Again, I say it is a matter of balance. There are several cases where that is proper. There are other cases where it isn't. It is just a matter, as I see it, of the most careful analysis of study and balance, always having in mind what is our own long-term board interest.

As to fuel, I just signed a fuel report which expresses my ideas of what I think the situation ought to be in fuels.

Senator MARTIN. Thank you very much, Mr. Chairman.

The CHAIRMAN. Senator Frear.

Senator FREAR. Mr. Secretary, I think today we will probably find ourselves in a field where we may be closer together, but I was interested in one statement you made regarding the Tariff Commission. Is it your opinion that the Tariff Commission should be permitted to receive complaints from industry, ascertain the facts and present them to the President, and that is where their function ends?

Secretary HUMPHREY. I think, as I see it, I don't see why the present setup cannot function perfectly well.

Senator FREAR. Do you know how many complaints have been made and the facts found and submitted to the President with the opinion and recommended action by the Tariff Commission?

Secretary HUMPHREY. You mean just recently?

Senator FREAR. Say within 3 or 4 years.

Secretary HUMPHREY. I don't know over any extended period, but I think recently there have been 10 or 12.

Senator FREAR. Do you know how many the President has acted upon?

Secretary HUMPHREY. As I recall it, two.

Senator FREAR. Do you think, then, that the people who—or is it the opinion of the President that the people who made eight of those complaints were apparently unjustified?

Secretary HUMPHREY. I am sure it must have been or he wouldn't have done it, that there must have been circumstances which persuaded him with respect to that.

Senator FREAR. We are both in favor of running an economical government. Would it be feasible for the President to propose the abolishment of the Tariff Commission and letting the Trade Commission present him with the facts?

Secretary HUMPHREY. I wouldn't be able to express an opinion. I never heard it suggested, and I wouldn't know.

Senator FREAR. I thought your statement that the Tariff Commission was just what we said it was, to receive complaints and ascertain the facts, which is rather an expensive body to do that.

Also in your statement, Mr. Secretary, you say: Maintain the strength and value of the United States dollar as a vital part of our contribution to international monetary stability, and I agree with that. In your previous testimony, and I don't want to get back to a bill which may not be before us today, but in your previous testimony Monday you recited the facts upon questioning where our dollar purchasing value, purchasing value of the dollar had been continually decreasing

up until about 2 years ago, and it has only decreased about one-half of 1 percent in that time.

Secretary HUMPHREY. Right.

Senator FREAR. Also during that testimony I believe it was brought out that the present administration had inherited from the previous administration part of the deficit in the first fiscal year of the present administration; in other words, a carryover of something like \$9 billion. The President has recently recommended to the Congress, or plans to recommend to the Congress, a road-building program of considerable magnitude, especially in dollars and cents. I believe it is suggested in that program that they will issue bonds payable at a future date, guaranteed by the Federal Government, but those bonds will not be considered a part of the national debt. Do you think that is a sound fiscal policy to follow?

Secretary HUMPHREY. Senator, I asked the secretary here this morning, if she had put me on the payroll of this committee because I am spending so much time here. I will be delighted to go into that subject with you, but that is going to be another long session. If you don't mind, I would suggest we take it up then, because there will be a lot of discussion about it.

Senator FREAR. At that time, when it comes up?

Secretary HUMPHREY. I think so.

Senator FREAR. I am willing to wait a little while on that, Mr. Secretary.

Secretary HUMPHREY. I am not trying to put it off, you understand, but I think it is quite a long subject if we get into that.

Senator FREAR. Thank you.

As I said at the beginning, we can probably find more subject matter in your statement today upon which we can agree than the one last Monday. Thank you.

The CHAIRMAN. Senator Williams.

Senator WILLIAMS. Mr. Secretary, you referred a moment ago to the fact that there had recently been 10 or 12 recommendations of the Tariff Commission to the President. Were they for higher or lower tariffs?

Secretary HUMPHREY. Senator, I can't give you the details of them. I remember one at a time, but I can't tell you the details. I don't remember what the changes were.

Senator FREAR. In view of the fact that it is recognized we are approaching a more competitive period of time as far as industry in foreign countries in relation to our own are concerned, do you think that over the next few years, with this greater competition, that there would be need for increased tariffs in certain instances more so than the proposed 5 percent reduction in order to properly safeguard our American industry?

Secretary HUMPHREY. I said, Senator, before—and I firmly believe it—that I think there will have to be adjustments probably both ways.

Senator WILLIAMS. But in view of the fact that we are approaching a more competitive period, it could well be upward as well as downward.

Secretary HUMPHREY. It might be, but I would hope that it might not be so. It would be healthier all the way around if it were not so. I don't think we know. I don't think anybody knows. I think you have a new condition that you are facing here in the next few years

in which nobody has had any experience on which they can definitely base a firm statement. I think we will learn as we go, and I hope act wisely.

The CHAIRMAN. Senator Long.

Senator LONG. Mr. Secretary, in a general sense, not getting into some specific cases and exceptions that might exist, isn't a tariff really a subsidy for the industry affected by it? Doesn't it have that effect?

Secretary HUMPHREY. Well, it is quite different, of course, than a subsidy. They aren't the same thing. It may operate that way. It does operate, of course, to limit a supply, but it is quite a different thing than a subsidy.

Senator LONG. Let's just take no specific case, but just a general situation where a person is producing a commodity that is to sell for a dollar and you put a 50-cent tariff on the importation of that same commodity, doesn't that have the effect of giving him a 50-cent advantage in selling to the market?

Secretary HUMPHREY. Senator, I think just to express it—and these things are all so intricate that it is very difficult to make answers and really cover the field—but just to express it in a rather quick way, the difference between the subsidy and the tariff is that in the tariff the user of the product pays the difference; in a subsidy the entire taxpaying body of the people pay the amount. That is an entirely different group of people. By and large I personally think it is better and more effective if protection is required, if something is required, that it be paid by the users of the product than by the tax-paying public.

Senator LONG. Where it happens to be a commodity that is used generally throughout the country—

Secretary HUMPHREY. Then there is very little difference.

Senator LONG. There is very little difference.

Secretary HUMPHREY. If it happens to be in relation to the other. It is pretty hard to get relationships which are the same.

Senator LONG. With respect to a commodity like cement which is used in large measure by State, local, and Federal governments, and is also used in one way or another by every individual throughout the country doesn't it work out in the last analysis to have the same result?

Secretary HUMPHREY. No, it wouldn't be the same, but it is approaching it.

Senator LONG. It is very similar in its effect, at least let's put it that way.

Secretary HUMPHREY. It is approaching a similar effect.

Senator LONG. A tariff is usually at least paid by the American consumer in the last analysis rather than paid by the industry of a foreign country.

Secretary HUMPHREY. It is paid by whoever uses it, whoever buys the things that the tariff is on.

Senator LONG. Insofar as it is our tariff, it is paid by our consumers.

Secretary HUMPHREY. Whoever uses it, that is right.

Senator LONG. Rather than the industry that produces it abroad and sends it in.

Secretary HUMPHREY. That is right. It comes in at a price. The tariff itself is paid by the fellow who is sending the goods in, but that does affect the price level in this country.

Senator LONG. He is forced, in turn, to pass that along to those who purchase the product by adding that to his price.

Secretary HUMPHREY. No, he doesn't pass it along. It affects the price level. It may not affect the price level by the same amount as the tariff. They are not necessarily identical items at all.

Senator LONG. Otherwise, he would sell it more cheaply within the country.

Secretary HUMPHREY. That is right. It might affect the total price level. But they are not interchangeable items by any stretch of the imagination.

Senator LONG. It has been suggested to me we should try to work out some scheme whereby we could compensate American industry which is actually driven out of business by tariff reductions. Have you given any study or thought to that type of situation?

Secretary HUMPHREY. No, I have not.

Senator LONG. Do you find that there is perhaps some merit to the idea, if by changing our tariff policy we make it impossible for domestic producers to continue to compete with foreign producers?

Secretary HUMPHREY. I just frankly do not know, Senator. I have never studied it, so I couldn't express an opinion.

Senator LONG. There is one other point that I would like to consider, although we approach the problems in this bill on a general level, it seemed to me there is perhaps a need to try to be more specific in trying to approach these problems on an industry-by-industry basis. Some of our best customers are the Carribean nations south of us. Those are very low-wage areas. The banana industry pays very low wages. Their sugar industries pay very low wages. You have about 54 countries subsidizing their own sugar production because they are producing it to maintain a local industry and are paying a higher price for their own local production. It occurred to me that perhaps we should try to give consideration to some device whereby we could give greater consideration to those countries if they find ways to raise their living standards, although it might reflect itself in the cost of the product. Does that have any appeal to you as a possibility?

Secretary HUMPHREY. It is getting more and more complicated. I don't know. I am just afraid—I think I will put it this way. I would just be afraid of a generality. There might be somebody who might think of a specific situation. If they brought it up, that might be considered.

Senator LONG. It does seem—

Secretary HUMPHREY. I don't know what it would be.

Senator LONG. It seems to me the low-wage standards in those countries would threaten in the long run the democratic form of governments there and would be the type of thing that the Communists could seize upon to make headway in those countries.

Secretary HUMPHREY. Well, I don't know.

Senator LONG. That is all. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Flanders.

Senator FLANDERS. Mr. Secretary, I have made speeches for reciprocal trade treaties for many years. On one notable occasion, Charlie Taft and I stood on the platform of Constitution Hall before a rather large audience speaking in favor of the reciprocal trade treaties.

Unfortunately, I began to listen to myself, and I began to wonder whether the speaker was sure of what he was talking about, and I would like to raise with you the same considerations that led to my difficulty with myself. I am going to do it by a hypothetical case. That is not in accordance with the practical point-by-point approach which you have been raising, but it nevertheless was a determining factor in my case in looking at the matter from a different angle.

Suppose there is a country with a large population, low wages and a low standard of living, adaptable so far as industrial operations are concerned, and there are no trade barriers between us and it. What will be the direction in which our trade relations will go under these circumstances?

Secretary HUMPHREY. You mean if there is nothing done at all?

Senator FLANDERS. If there are no trade barriers. That is the first hypothetical assumption.

Secretary HUMPHREY. You have to add a lot of things to that. You have to add how much investment there is available for them to have tools to work with, what sort of efficient operation and plants they have, what kind of trained workmen they have—all of those things enter into it.

Senator FLANDERS. There is no bar to American investment in that country.

Secretary HUMPHREY. Then you have the matter of how efficient you can make those workmen, which is also a very important item and takes quite a lot of time and effort to develop.

Senator FLANDERS. I was thinking at that time of the Chinese who can be easily trained. Of course, there are now bars between us and the Chinese. The matter applies in a lesser degree. It isn't entirely theoretical because it applies in a lesser degree with the Japanese, not so acutely as it did with the Chinese. But for my own satisfaction, I must see fairly clearly what the results of that situation are. That is the end point of this activity: where do we stop going toward that end point, and what determines the point at which we stop? Those are the questions I have in mind.

Secretary HUMPHREY. Well, Senator, I am no more sure of my conviction than you are of yours. I think this is an extremely delicate field that we are in. That is why I believe that this is a field where we must proceed, as I have suggested. I don't believe that anyone is wise enough or experienced enough or has a sufficient breadth of knowledge to come out with any firm generalities and say that is it. I think you are going to move ahead and we are going to see what goes on and if we have constantly and firmly in mind in a wise way our own long-term self-interest, I think that we won't go very far astray. And that is not short-term or selfish interest, that is for the best of all of this country.

Senator FLANDERS. Let me say that the point at which I am doubtful on the statement you have just made is as to whether or not there is not in almost every case that comes up to us some portion—it may be a small or it may be a larger portion—of this final dilemma. We have to take that element into account in almost every situation. So I think that the consideration of this more or less theoretical change is a useful exercise.

Secretary HUMPHREY. Just frankly, I have always been afraid myself of just practicing theory and following theory around. There are

so many places where practice and theory do not correspond and where they do not work out, that I have always been afraid of it. I think you have to—we live in a very practical world—and I think you have to and should be governed very largely by practical considerations. You may have an objective, and all that, but you have to meet practical day-to-day complications and work them out.

Senator FLANDERS. I am afraid that this consideration I have just mentioned becomes practical in many cases very quickly and very severely; and that is the point I am trying to make.

Well, I do assert that for the record. I ask that it have your consideration.

On this matter of assisting other countries to have a stronger economy, it seems to me that while you have emphasized that in your presentation, you have focused on the question of our own ultimate self-interest—

Secretary HUMPHREY. Which, of course, involves—

Senator FLANDERS. Yes.

Secretary HUMPHREY (continuing). A strong economy, particularly in friendly nations. We are not alone in the world.

Senator FLANDERS. Yes, all right.

Secretary HUMPHREY. One of the things we have to think of in our own self-interest is the strength of friendly nations elsewhere in the world.

Senator FLANDERS. Yes.

It seems to me, Mr. Secretary, that particularly in Western Europe the strength of their economy lies in their own hands. There should be a customs union extending over the whole of Western Europe, so that they can have a mass market of their own and that thing we should constantly impress upon them. We cannot help those effectively who do not help themselves, and that European mass market is the solution of the problem of the Western European countries. That is not an original idea with me, as you well know.

Secretary HUMPHREY. It is always easier to settle the other fellow's problem than it is your own.

Senator FLANDERS. Yes.

Secretary HUMPHREY. But I agree with you. Just you and I sitting here, it certainly looks to us as though a mass market which will permit mass production by people of that kind would be a very useful thing for them to have.

Senator FLANDERS. So far as it affects you and me sitting here, it does set limits on what we would be prepared to do ourselves. If they are unprepared to do what they should do—we do not stretch ourselves very far out in that element of our self-interest which relates to strengthening our friends when our friends will not strengthen themselves, because I think we more or less quickly arrive under these conditions at the limits of what will be to our self-interest.

Secretary HUMPHREY. I agree with you.

Senator FLANDERS. All right.

There is another more serious situation which I think is more closely connected with the original hypothetical question, and that is the rising Japanese competition. It is exceedingly important to us that Japan should be economically strong. We want her to be economically strong as a member of a group which is incorporated

in one of our areas of defense. We want her to be economically strong so that she will not be subject to Communist infiltration.

There is every reason for our wanting Japan to be prosperous and well organized.

There again I question whether we can go very far in that direction without upsetting some of our own industries if our means of giving Japan economic strength is by opening our markets or by not closing them in some degree. The fundamental economic area in which Japan should be operating, the Japanese well knew themselves when they set up that slogan before they entered the war—greater east Asia coprosperity sphere. It is a magnificent slogan and it was the truth.

Japan, a food-deficit country, has the countries of southeastern Asia, which are food-surplus countries. Japan is a manufacturing country. They are not. It is a natural, a natural combination of food and industry for the trade through that great east Asia coprosperity sphere. And our whole hopes and plans and the exercise of our economy and military and diplomatic strength in southeast Asia focuses on the possibility of reviving that natural area of trade for Japan. It seems to me that is where we must be strong and wise, and I would hate to see the further opening up, particularly in certain industries, of Japanese trade with us, even on a stopgap basis.

Somehow they have to do the thing that is natural for them and to them, and it is going to be a rather serious situation with regard to many industries in my own area, where they manufacture such little things as umbrella handles and wooden salad bowls. Those are not big industries. They are having a great deal of difficulty in competing with the Japanese. The more successful we are in our large-scale undertakings in southeast Asia, the more successful we will be without hurt to ourselves.

I am very dubious indeed about going very far with this help of the Japanese situation on the basis of trade with us.

There is just one other thing. I find myself making statements instead of asking you questions, and I don't want to carry that too far. When I was engaged in speaking in behalf of the reciprocal trade treaties, one illustration that I used to use was that there were limits to protecting American labor, and I would use the situation of raising bananas. We could erect enormous greenhouses. We could pay for coal. We could pay for the capital investment in these greenhouses. We could use our high-grade labor in raising bananas under glass and put such duties on the importation of bananas from Central America as should make it profitable to raise bananas that way.

This was the extreme example which, of course, was ridiculous. But just where do we draw the line? Just where do we draw it? This lowering of tariff means that we are going to take advantage of cheaper production abroad and that almost certainly means we are going to take advantage of cheaper labor abroad.

That was the extreme case, but where do we say that we will not protect industry and particularly the labor engaged in it? What sets the limits? Where do we draw the line?

Secretary HUMPHREY. I think, Senator, that is what I mean when I say that you can follow theory too far, and that there is no theoretical line that you can draw, that this is a matter of balance and judgment

that must be exercised and continually reviewed in the light of the facts as they continue to develop. I know of no other way to do it.

Senator FLANDERS. One last question that I will ask, and that is this: Would you agree with me that lowering tariffs is bound to be painful to somebody somewhere?

Secretary HUMPHREY. If it results in any effectiveness; yes.

Senator FLANDERS. It is going to be painful and we must not be in the frame of mind ourselves of thinking it is going to be painless nor must we, by implication, say it isn't going to hurt anybody. It is going to hurt somebody.

Secretary HUMPHREY. It is a good deal like the Secretary of the Treasury. You are going to have somebody mad at you no matter what you do.

Senator FLANDERS. The only question is: Is that somebody justifiably mad. That is the \$64 question.

Now, I will end by saying that I sent a memorandum to President Eisenhower via Gov. Sherman Adams, giving some of my doubts on the reciprocal trade program as a whole. I may say it is my principle to do this. As a good Republican, an Eisenhower Republican, on all procedural matters in the Senate, I will be 100 percent Republican. On matters of legislation where there are questions of principle or of judgment involved, if they do not seem to me to be important, I will swallow my intelligence and swallow my conscience and go with the administration.

Where there seem to be important matters involved, I will explain my position to the proper authorities in the administration, so there will be no unpleasant surprises on the floor, and that is what I have done in this case, and I am not yet ready, Mr. Chairman, to put this memorandum on the record, because I first want to use it on the floor, and much may develop between now and then.

But I would, sir, like to hand you a copy of this memorandum which I sent to the President.

Secretary HUMPHREY. Thank you very much. Just so you don't choke on swallowing all these difficult things, I would just like to point this out to you, that, in my opinion, you have to begin somewhere with this. We are confronted not with a theory, but a practical problem. We have to begin some place. We are in a world that is filled with difficult conditions, problems on every side. I don't think that it is good for this country or for the world for us to go off on a wide tangent on this subject and take some radical action either way. I think that the present bill is just as good a place to begin from as we can have, and if we will start with the present bill and then use our heads and judgment and work forward from that point, having in mind, as I have said, one criterion, that that is the best way to handle an extremely difficult problem that nobody knows very much about.

Senator FLANDERS. Thank you.

The CHAIRMAN. Senator Barkley.

Senator BARKLEY. Senator Flanders' position on important and unimportant matters is somewhat like the man who said he had been married for 25 years and never had a disagreement with his wife. Somebody asked him, "How did it happen?"

He said, "Before we were married, I agreed that after we were married on all big matters my word would go and on small matters her

word would go, and we have been married 25 years and we haven't had a big matter up yet."

I would like to have put in the record by whoever has it, Mr. Secretary, the countries with whom we have now these reciprocal agreements.

Secretary HUMPHREY. I haven't it. I will see that it is supplied.

TREASURY DEPARTMENT,
Washington, March 7, 1955.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: During my appearance before your committee on H. R. 1 on March 3, 1955, I was requested by Senator Barkley to supply additional information with regard to trade agreements existing between the United States and other countries. A statement on this matter for inclusion in the record is enclosed.

Very truly yours,

G. M. HUMPHREY,
Secretary of the Treasury.

UNITED STATES TRADE AGREEMENTS

The United States has trade agreement obligations with 32 countries under the general agreement on tariffs and trade and with 10 countries under other agreements, making a total of 42 countries in all. These countries are:

GENERAL AGREEMENT

Australia	Indonesia
Austria	Italy
Belgium	Luxembourg
Brazil	Netherlands
Burma	New Zealand
Canada	Nicaragua
Ceylon	Norway
Chile	Pakistan
Cuba	Peru
Denmark	Federation of Rhodesia and Nyasaland
Dominican Republic	Sweden
Finland	Turkey
France	Union of South Africa
Germany	United Kingdom
Greece	Uruguay
Haiti	
India	

OTHER AGREEMENTS

Argentina	Iceland
Ecuador	Iran
El Salvador	Paraguay
Guatemala	Switzerland
Honduras	Venezuela

Senator BARKLEY. Thank you very much.

The whole question of tariff policy throughout the history of this country, it seems to me, has overemphasized the political equation rather than the economic and scientific. It was because of that fact in the Taft administration that the Tariff Commission was created in the first instance. It was strengthened later in the Wilson administration, and it has been strengthened, and its duties increased from then on. I was here as was Senator George as members of this committee when the Tariff Act of 1930 was passed. That act began in December 1928 when the Ways and Means Committee of the House

began to hold hearings on it. It dragged all through the winter and spring and summer of 1929, came on over to the Senate, and we had extensive hearings. It finally became enacted, I think, on the 30th day of June 1930, more than 18 months after it had been initiated in the House of Representatives. During all that whole period business was uncertain. It was in suspense. Nobody knew what the rates would be. It was a sort of a release even to those who opposed it, amongst whom I was one, to get the thing out of the way and get it on the statute books, because of the uncertainty it has created in the business world. Out of that situation I think grew the thought of creating this reciprocal trade agreement, to get away from the political bickering and the political log rolling and horse trading that always goes on in Congress and on the floor of both Houses in dealing with the specific rates on specific articles of importation. Somebody described the log rolling and back-scratching process in the Senate rather vividly by saying that there was so much back scratching that you could see the blood trickle down the back of the Members of the Senate in this process of writing tariff law.

So this program originated in 1934 and has been profuse since with variations of the law, was instituted in the beginning to get away from that sort of situation.

Now, the House has passed this bill providing the 3-year extension, practically under the same circumstances, except there are some additional powers given to the President here in regard to 15-percent reductions over a period of 3 years, 5 percent a year. But judging from the mail I am getting about it, you would almost think that this bill itself provided a 15 percent decrease in tariffs to go into effect at once. I suppose that witnesses will appear here in opposition to that power given to the President, and no doubt, witnesses will be here advocating certain specific amendments with reference to quotas of tariff rates that may be placed or restrictions of one kind or another. The committee will have to determine the extent to which it will indulge in such amendments.

As a practical businessman and as Secretary of the Treasury, I wouldn't mind having your reaction to that. Do you think it would be wise to undertake to specify certain products in this legislation by name, either to fix quotas or to attempt to open up the tariff-making authority and power of the Congress rather than to confer this general authority on the President and risk his judgment in dealing with these specific articles?

Secretary HUMPHREY. I think, Senator, that this is the way to do it. I think we ought to try it this way and proceed in this way in an orderly way on a case-by-case basis, as I indicated, and I think, rather than merely talking about authorizing the President to make reductions, we might point out that there are limitations—this 5-percent a year business is really a limitation on the President's power to reduce tariffs, and I think it is a very proper one.

Senator BARKLEY. There are other provisions in this extension and in the law that has been in existence for the last 18 or 20 years now, with 3- and 1- and 2-year extensions, that authorized him to increase or decrease tariffs not to exceed 50 percent. Do you regard this 15 percent to be staggered over a period of 3 years as a limitation on his 50 percent power?

Secretary HUMPHREY. He cannot exceed the new provisions.

Senator BARKLEY. He may do nothing about it or go anywhere from nothing to 5 each year over a period of 3 years.

Secretary HUMPHREY. That is right. That is as I understand it.

Senator BARKLEY. Is it possible to deal with as delicate a thing as tariffs either by Congress or the Tariff Commission or by the President on the recommendation of the Tariff Commission without affecting adversely some particular maybe isolated industry in this country? If you are seeking an overall benefit for the country and the economy is as a whole—

Secretary HUMPHREY. It is like almost everything else. There is hardly any decision you can make in Government that doesn't affect someone adversely.

Senator BARKLEY. I asked the Assistant Secretary of Agriculture yesterday a question which he was not quite able to answer. Maybe you cannot answer it without looking into it.

When I was here before, back during the administration of Mr. Hoover, I recall his Secretary of Commerce was Mr. Lamont of Chicago, a very able man, and in testifying before a committee of which I was a member, he made the statement that the loss of \$10 billion of trade between the United States and any other country or the world at large would be equal to the loss of a million jobs in the United States. Would you be able to confirm that?

Secretary HUMPHREY. I am not able to confirm that. I think you asked me that the other day, and I haven't had a chance to look that up. I cannot confirm it.

Senator BARKLEY. The question you may be in a position to answer is this. Some 6 or 8 months ago when this matter was up for consideration before this committee on the matter of an extension, my memory reminds me that some witness stated since the inauguration of this program that our commerce with the nations with which we had had these agreements had increased something like 27 percent, whereas our commerce with other nations with which we had not agreements had increased only a very small percent. From your records or your memory, do you know whether that would be substantially true?

Secretary HUMPHREY. I cannot comment on that specifically. But I do think, Senator, that our past experience under the operation of this law is not very much good as a guide to our future foreign trade.

Senator BARKLEY. War came along and interfered with normal channels of trade and the economic situation.

Secretary HUMPHREY. That is right. We have had our competing countries in a position where they couldn't compete. There were flat on their backs in many instances. There are a lot of things that were true in the past that are going to be different in the future. I don't think the past is very much of a guide.

Senator BARKLEY. Is it not true that the nearer we approach the normal international trade conditions, the greater might be the benefit of a such a law as this, and the extension as compared to an abnormal time when war and economic conditions have interfered with international trade.

Secretary HUMPHREY. It is my best judgment that we ought to try it. Whether this is the best way or not, I don't know. From my point of view, this is the best way to start that I have heard suggested, and I believe to begin with, we should begin with this

and handle it in this sort of a way, viewing these new conditions that we have to meet as the best way to handle our affairs as we know them today.

Senator BARKLEY. And the best approach to it is the comparative benefits to the country as a whole, its total economy and its relationship with other nations both political and economic.

Secretary HUMPHREY. It is our selfish interest in a broad way not in a narrow, selfish viewpoint.

Senator BARKLEY. That is all.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Secretary, first I would like to say that I think Senator Flanders contributed to the information of this committee when he said he thought the European nations should band together in a customs union and try to trade with each other, which they do not do now. They have barriers between each other. Articles in Italy can hardly be sold in England. Things produced in England and France can hardly be sold to Italy.

In 1948 I started to talk about that on the Senate floor. Maybe it should be a United States of Europe or maybe it is better stated as a customs union of Europe. That would be a great advantage.

I also think Senator Barkley has contributed something to the committee in his historical review of the tariff law, and we are all familiar with the customs prior to 1930, I think, when there might have been some understanding between Members of Congress, commonly called log-rolling, but the 1930 Tariff Act, I will call to the attention of the junior Senator from Kentucky, ended that method of doing business. It created the Tariff Commission and put on them the definite responsibility of establishing, adjusting, continuing the tariff on various products on the basis of fair and reasonable competition; that is to say, determine the difference in cost, including the wage standard of living, taxes, and so forth, in this Nation and the chief competing nation and recommending that amount to be the tariff.

Therefore, unless the Congress of the United States elected through a bill regularly introduced and the bill referred to this committee or another committee for a hearing, there would be no consideration of any Member of Congress—Senator or Congressman—unless they just appeared before the Tariff Commission as a witness.

If I am wrong in that, I would like to be corrected by any member of the committee or by you, Mr. Secretary.

In order to just establish that basis, I will read into the record section 336, to which the adjustment of tariffs and duties would revert if we did not extend, if Congress does not extend, the 1934 Trade Agreement Act, and it reads:

Equalization of cost of production. Change of classification or duty. In order to put into force and effect the policy of Congress by this act intended—

and this is the 1930 act that the junior Senator from Kentucky so ably outlined the history of Congress—

the Commission upon request of the President or by resolution of either or both Houses of Congress, or upon its own motion or in the judgment of the Commission there is good and sufficient reason therefor upon an application of any interested party, shall investigate the difference in cost of production in any domestic article and any like or similar foreign article.

It goes on to say:

The Commission is authorized to adopt such reasonable procedures and rules and regulations it deems necessary to execute the functions under this section in order to arrive at this flexible duty or tariff.

Under this principle they have adopted such rules and regulations, and I read further:

The Commission shall report to the President the result of the investigation and the findings with respect to such differences in cost of production. If the Commission finds it shown by the investigation that the duties expressly fixed by statute do not equalize the differences in the cost of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the Commission shall specify in its report such increases or decreases—

this is done on a principle, Mr. Secretary, not under some judgment of a member of the executive branch of the Government—

in rates of duty expressly fixed by statute, including any necessary change in classification as it finds shown by the investigation to be necessary to equalize such differences.

In other words, it doesn't originate in Congress at all, unless by another bill introduced, and any Senator or Congressman, of course, would be welcome to be a witness before the Tariff Commission. But they are operating on a principle laid down by Congress and do not consider the overall economy as to whether it would be better to do away with this industry and wait for another industry, and have imports from a cheap labor country so they can get the money to buy the products of another industry. This is not included as it is in the 1934 Trade Agreements Act.

With that clear, anyone can introduce a bill and I hope, naturally, Congress can at any time, and it could be assigned to this committee; they could hold hearings on any special products, such as has been done on sugar. The Secretary would be familiar with that procedure.

I was very interested in your testimony that it might be necessary to increase tariffs as well as to reduce them if this situation continues, so the executive has absolute authority to reduce or increase duties in any agreement with any foreign nation. Do you, Mr. Secretary, know of any increases that have been granted any industry under the Trade Agreements Act in the last 22 years?

Secretary HUMPHREY. My information doesn't go over any such period, Senator. I am not familiar with that, I will say that.

Senator MALONE. Did you ever hear of one?

Secretary HUMPHREY. That doesn't indicate that there has or has not been one.

Senator MALONE. Did you ever hear of one?

Secretary HUMPHREY. I have not.

Senator MALONE. I think you can take for granted that there have been none. I was interested in your testimony that it should be a case-by-case analysis. Did you mean, Mr. Secretary, that there would be a case-by-case analysis to determine the differential in cost on a fair and reasonably competitive basis in each case with the tariff established in that connection, or did you mean a case-by-case analysis with the possibility of purchasing friendship with allies for the country in war and all other factors included?

Secretary HUMPHREY. I meant it on a broader basis.

Senator MALONE. What was this broad basis?

Secretary HUMPHREY. It may be that the criterion you outlined may be the final place you will land. I don't know. Whenever any discretion is granted, the discretionary power is always subject to abuse. I believe in the state of the world today we should have a little broader viewpoint of that at least, to see——

Senator MALONE. What is this broader viewpoint you would have?

Secretary HUMPHREY. It is the best interest of this country.

Senator MALONE. Name the factors that enter into it.

Secretary HUMPHREY. The best interests of this country, whatever they may be or however they may be.

Senator MALONE. What are they?

Secretary HUMPHREY. Our security is a very important point. There may be items of security that would govern some of these things that would be taken into account where our security might outweigh an item of cost.

Senator MALONE. Would you give us an example?

Secretary HUMPHREY. It is hard to think up all the situations that might occur.

Senator MALONE. Just one.

Secretary HUMPHREY. There are so many ways in so many places where our security is involved that I think that that also should be given the very first consideration.

Senator MALONE. Give us one example.

Secretary HUMPHREY. I will try to think of one that is very simple.

Senator MALONE. Then I will understand it.

Secretary HUMPHREY. I don't understand it unless it is simple.

Senator MALONE. I will take exception with that, too. Don't hesitate to give us an example.

Secretary HUMPHREY. An example of where——

Senator MALONE. An example of where in the matter of security you would cut the duties below the differential between the cost of living here and other things, like taxes, et cetera, and in the chief competing nations.

Secretary HUMPHREY. You might have it either way.

Senator MALONE. Let's leave it the way we have been operating.

Secretary HUMPHREY. I will give you a good example. Let's go back to the original discussion of Senator Kerr in the oil business. I think it would be most unfortunate if importations of oil from the Middle East grew in this country to such an extent that we were entirely dependent upon them for oil—or largely dependent upon them to the detriment of our own drilling and productive program in this country.

I think if we got dependent on oil from the Middle East to such an extent and if war came, it would be impossible for us to carry on our supply lines, and we might be seriously interfered with. In that event, I think a criterion of our security might be of great importance.

Senator MALONE. In other words, if that were found true, you would raise the duties on importations of oil.

Secretary HUMPHREY. I would not like to be dependent in this country on Middle East production to the detriment of our own and neighboring oil production.

Senator MALONE. I think you are entirely right.

You know a trade agreement cut the duty on imported oil, so that this thing that you are talking about did happen. Are you aware that that trade agreement was made?

Secretary HUMPHREY. I don't think it will do us any good to discuss the details of the past. I am not informed about the details of the past action.

Senator MALONE. You brought it up.

Secretary HUMPHREY. You asked me for—

Senator MALONE. After you brought it up I asked you for an example.

Secretary HUMPHREY. That is a pretty good example.

Senator MALONE. That is a pretty good example.

Secretary HUMPHREY. Yes.

Senator MALONE. You don't know of any time or case where they raised the tariff rate? They lowered the tariff rate on oil and brought about the very situation that Senator Kerr is complaining about. I would say that raising that tariff would be very good. There has been no indication that that would be done.

Secretary HUMPHREY. I don't know that any of that kind of action would be required.

Senator MALONE. You can depend upon it that it won't be raised.

Secretary HUMPHREY. I don't know that it will be required.

Senator MALONE. The Senator from Texas can correct me if I am wrong. They are cutting down to 46 to 47 percent on production there and in California and other producing States. So we are on the way of doing the thing that you say would be dangerous. Would you say that that same situation might be a matter that has occurred in the minerals that Senator Kerr mentioned?

Secretary HUMPHREY. It might work just the reverse. Senator, I think there is no use in speculating in detailed cases. I think what you have to have are the facts to arrive at a reasonable judgment.

Senator MALONE. I have the facts.

Secretary HUMPHREY. You may have them, but I haven't.

Senator MALONE. I will furnish them to you in due time. As a matter of fact, they have been furnished to you.

In all your testimony you have taken the position that the executive branch of the Government should have the authority solely to raise or lower the duty, as the Constitution refers to them, commonly referred to as tariffs, whenever in its opinion the overall good of the country concerning the factors of allies, I suppose and friends throughout the world and the protection of our foreign investments, whenever you consider in your judgment, the judgment of the executive department, that that is a good thing to do, and you are in favor of it?

Secretary HUMPHREY. With all of the fact-finding provisions and the safeguards that are provided.

Senator MALONE. What safeguards are provided?

Secretary HUMPHREY. There is a tremendous study and routine that is gone through with each decision that is reached.

Senator MALONE. Who makes the study?

Secretary HUMPHREY. Different departments of the Government who are charged with the responsibility for doing that.

Senator MALONE. It still is not anything but the sole decision of the executive department without regard of any study that may be made by Congress or an agent of Congress.

Secretary HUMPHREY. Finally, as to whether the determination the Tariff Commission on the escape clause will be effective, that is up to the President.

Senator MALONE. In other words—

Secretary HUMPHREY. The President has that power.

Senator MALONE. In other words, the history of the escape clause shows it is very seldom utilized, but my question is directed to you that, regardless of any escape clause, regardless of any study made by the Tariff Commission, the executive department of the Government, the President of the United States and, of course, the State Department has generally been considered the spearhead in this movement—their decision is final.

Secretary HUMPHREY. I don't think you can say it without regard to the escape clause. I think the escape clause is a very important provision and the only way that the escape clause determination is avoided is by an act of the President.

Senator MALONE. In other words, the executive department—

Secretary HUMPHREY. The final decision is up to the President. It finally lands in the President of the United States.

Senator MALONE. Has the final decision to make as a result of that study.

Secretary HUMPHREY. The President of the United States has the authority to make that final decision.

Senator MALONE. The President is part of the Executive, is he not?

Secretary HUMPHREY. That is correct.

Senator MALONE. The final decision, regardless of any study made by any department other than the Executive Department, rests in the Executive Department of the Government as to whether or not the clause will be invoked.

Secretary HUMPHREY. Yes, sir.

Senator MALONE. Then, I understood you to say, that you think it is to the advantage to the United States of America to have that particular authority vested in the President of the United States.

Secretary HUMPHREY. I do, Senator, yes. I think that is the way to proceed with this, to see where we go.

Senator MALONE. And he does have the authority, spearheaded, of course, by the State Department, and that has been the history of the whole thing, to re-make the industrial map of the United States; that is to say, he can through these trade agreements—they are really not trade agreements, they are agreements to lower tariffs, but these agreements can name the industries that are to survive and those that are to suffer through these agreements. He can name those.

Secretary HUMPHREY. He can determine whether or not the escape clause decision will be invoked or whether it won't. That is as far as it goes.

Senator MALONE. I thought we settled that. He is the one that picks out the industries that he will make the trade agreements on and lower the tariffs or duties on, is he not?

Secretary HUMPHREY. Does what?

Senator MALONE. The executive department.

Secretary HUMPHREY. The executive department; yes.

Senator MALONE. Designates the industries where the duties or tariffs are to be lowered.

Secretary HUMPHREY. And then they have their opportunity for hearings and determination and if a finding is made, changing that; the President has the last word to decide that.

Senator MALONE. We settled that. The President of the United States, I presume, relies very heavily on the State Department, as long as they are the only one we ever hear of, and maybe you are consulted at times, but there is nothing referred back to Congress.

Secretary HUMPHREY. That is correct.

Senator MALONE. Executive department first designates the industry upon which the tariff is to be cut, makes the agreement to cut it whatever amount he cares to, and is the final arbiter at the end under the act.

Secretary HUMPHREY. In the meantime, of course, there is the hearing before the Commission and then the President is the final arbiter.

Senator MALONE. You haven't changed your answer. The President, the executive department, is the final arbiter.

Secretary HUMPHREY. That is correct.

Senator MALONE. In other words, if in his judgment, the best interest of the United States is served by buying the loyalty of an ally or building up industries abroad that in his judgment may be beneficial to the United States in the long run, then he can do it.

Secretary HUMPHREY. That is right.

Senator MILLIKIN. Would you yield just for a moment?

Senator MALONE. Surely.

Senator MILLIKIN. I remind you that if the President goes beyond the peril point, he must explain it to Congress for the reason that Congress retains the final judgment and can override the President if it wishes to.

Secretary HUMPHREY. That is correct, on a purely peril-point determination.

Senator MILLIKIN. On peril point or anything else.

Secretary HUMPHREY. Congress, of course, can always pass another law.

Senator MILLIKIN. That is the end point.

Senator MALONE. I understand.

If Congress sees fit not to extend this and it reverts to the Tariff Commission, an agent of the Congress, on the basis of the 1930 act, and read into the record today; isn't that correct?

Secretary HUMPHREY. I understood you to say that.

Senator MALONE. You know that is the law.

Secretary HUMPHREY. Unless Congress does nothing else. If you repeal this law, then the previous law is in force.

Senator MALONE. In other words, then the Tariff Commission determines the difference in cost of production, considering our wage standard of living, taxes, and other factors between this Nation and the competing nation on each product and recommends that to be the tariff.

Secretary HUMPHREY. That is right.

Senator MALONE. That is a principle laid down by Congress.

Secretary HUMPHREY. I understand that.

Senator MALONE. But the principle laid down in the 1934 Trade Agreement Act is that while all of these things may be considered, the Executive himself determines what industries, trade agreements or the agreements of the lower tariffs shall be made, and then, regardless of any hearings, is the final arbiter.

Secretary HUMPHREY. Well, Senator, I think that it is a little fairer to state exactly what happens and exactly what happens is that when an agreement of this kind is made, in the first place, you are protected with peril point provisions and in the second place you have hearings on the escape clause. In the last analysis, if those hearings, if that determination can be invoked or refused by the President of the United States—

Senator MALONE. That is right. That is the point I want to be made clear.

Secretary HUMPHREY. After that, if Congress doesn't like it, they, of course, can act.

Senator MALONE. Congress can act. Congress can do precisely what it wants right now.

Secretary HUMPHREY. That it right.

Senator MALONE. We all understand that.

Secretary HUMPHREY. I think—let us be perfectly clear about this—

Senator MALONE. All right.

Secretary HUMPHREY. I think instead of going back to the law, as you suggest, which fixes an arbitrary determination on the basis of cost—

Senator MALONE. The principle.

Secretary HUMPHREY. That is right. In view of the state of the world today, this other way of approaching it is better.

Senator MALONE. In other words, you believe—

Secretary HUMPHREY. I would rather try it this way than the old way under present conditions.

Senator MALONE. In other words, you believe that the President of the United States should be able to destroy any industry in the United States to the extent that he cares to and build up another one through imports—destroy it through allowing imports to come in from a low-wage nation, and you believe that the President should have that arbitrary power.

Secretary HUMPHREY. If that is to the best interests of the United States, in its broad best interest, I think that is correct.

Senator MALONE. At the discretion of the President?

Secretary HUMPHREY. If it isn't, and he abuses that power, Congress is right there to check him.

Senator MALONE. We hope it is.

Secretary HUMPHREY. I hope so, too.

Senator MALONE. There is no question but what Congress is the last resort. Let's discuss the peril point a moment. Just what is the peril point? How do you understand it?

Secretary HUMPHREY. What do you mean?

Senator MALONE. How do you understand that the peril point operates?

Secretary HUMPHREY. I am not prepared to discuss the details.

Senator MALONE. I will explain it to you. I hope someone will correct me if I am wrong. The peril point provides that the Tariff Commission upon the request of the President can determine the point at which an industry would be imperiled; that is to say, if the tariff or duty, as the Constitution calls it, were set below a certain point, that industry would be imperiled. The State Department or the President—actually it is the State Department or some committee—may or may not accept the peril point; is that true?

Secretary HUMPHREY. I think that is true.

Senator MALONE. If they accept the peril point and make the 3-year trade agreement on that basis and it remains in full force and effect until canceled by the President, any time after the agreement is signed, that nation with which such an agreement has been made can nullify the trade agreement as far as they are concerned by manipulation of their money values in terms of the dollar on that particular commodity or through exchange permits or import permits, and entirely nullify the trade-agreement provisions.

Secretary HUMPHREY. If they run out on their side, we have the privilege of disavowing too. It is even-Stephen.

Senator MALONE. That is true. But you cannot change the trade agreement. Is there any provision in the trade agreement for compensating for it except cancellation?

Secretary HUMPHREY. I am not prepared to say, Senator. I don't know.

Senator MALONE. I know of none. I would like to be corrected if there is any method of compensating for an action on their part. You can cancel and you have canceled, and you did cancel one with Mexico on a certain commodity there. There are very few, and they are very far between. Every nation—of course, that is a broad statement, there may be 1 or 2 exceptions—but almost every nation has done exactly what I have outlined. They have defeated the object of the agreement in the first place by manipulation of their currency in terms of the dollar, the value of it, or by exchange permits or imports, and nothing has been done about it.

Secretary HUMPHREY. Senator, it seems to me that your principal criticism is as to the administration of the law rather than as to the law itself.

Senator MALONE. No, it is not.

Secretary HUMPHREY. The past administrations—I am not here defending the past administration or any administration.

Senator MALONE. Or your own administration.

Secretary HUMPHREY. Or our own administration.

Senator MALONE. Our own administration.

Secretary HUMPHREY. Our own administration. I am not doing that. I am assuming that whatever law you have, it should be well administered.

Senator MALONE. No, that is not my objection to it at all. My objection is that there is no principle involved. We built this Nation on a policy of protection of the American workingman and the American investor on the basis laid down in this law.

The Tariff Commission and the tariff for 75 years have been along that line, often not well administered, but this law was a good law

where every day you could adjust it if necessary to compensate for these factors we are talking about. The Tariff Commission could do that.

Secretary HUMPHREY. That criterion laid down as to the factors it could compensate for which did not take into account all of the factors that might be beneficial to the administration of the United States—

Senator MALONE. It doesn't take into account the factor to allow the Executive to destroy one industry and build up another.

In 1860 Lincoln said he believed in protection of labor and industry so as to encourage the development of industrial interests to the whole country. He wasn't interested in building up one to the advantage of another. He wasn't interested in building up a foreign nation at a disadvantage of our own labor and industry.

I will say that the Senator from Nevada is not either.

I understood you to say that one of your reasons for this act is that you think the American consumer should have the advantage of low-cost products.

Secretary HUMPHREY. I didn't say that. I said it was one of the elements to be taken into account.

Senator MALONE. If you take that into account, that means once in a while you take advantage of it. In other words, if you have difference represented in the duty or tariff between this Nation and the chief competitive nation, a difference in the labor standards, you would be pretty close to the right tariff; would you not?

Secretary HUMPHREY. I don't know. I don't know that you can make a broad statement. I think that is the difference in your thinking and mine. The difference in my thinking and yours is that you are thinking of outlining a fixed program and putting into a straitjacket that program and saying that is where we ought to be. Perhaps under certain conditions and at certain times that is desirable. I agree with you that basically this should be a government of laws and not of men. You come to times—and I think we are in times now, I think we are in a period where we have a terrific problem on our hands here with this foreign trade and our relationships with the rest of the world, and I think it takes a little broader consideration than that straitjacket at the present time, and I think it is worthwhile to have that broader consideration for the benefit, for the security of this country and the people in it.

Senator MALONE. You are a businessman and a banker and I will ask you another question. Do you think that private investments are encouraged by a law of this kind; that is, a transfer of the constitutional responsibility of Congress to regulate foreign commerce, trade, and to fix the duties, imposts, excises, which we call tariffs, to an Executive who at any moment can destroy an investment in this country by a simple trade agreement?

Secretary HUMPHREY. When it comes to the security of the country—there are a lot of ways the President—

Senator MALONE. I am not talking about the security of the country, I am talking about investments.

Secretary HUMPHREY. There are a lot of ways you can hurt an industry for the security of the country. You can shut down one business and build up another where it is required for our security. So

there is no misunderstanding between us. I think the less discretion there is in anyone, the better off business people can plan affairs of their own. The removal of discretion in every possible way where it is practicable to do it is a very desirable thing to do. I don't think it can always be done.

Senator MALONE. All this is in the Tariff Act of 1930, which is a splendid act if it had been used. It was not used because a year and a half later they passed this act, transferring the constitutional authority of Congress to the Executive. Many believe that it is unconstitutional, and there has been suit filed to determine the constitutionality of the act, and it is against you. It was filed by a West Virginia glass company. I hope the depositions will start pretty quickly so we will hear what you folks have to say.

Again, on the stability of business in this country, do you believe that either in the oil business or the mineral business or the crockery business or machine-tool business or glass business, that it is a good thing for the stability of the investment of this Nation to go without a principle laid down by Congress and just have a transfer of this authority to the Executive who may take in any factor just so he himself believes that over the ultimate, long-range goal, it will be good for this country?

Secretary HUMPHREY. Senator, I have answered that same question 2 or 3 times.

Senator MALONE. You generally talk quite a while when you answer it. If you believe in it, say "Yes."

Secretary HUMPHREY. I have said that I believe that the enactment of this law for the next 3 years is the most desirable step we can take at the present time and will give us the best opportunity to administer these affairs over that period.

Senator MALONE. And you do understand that it gives him that authority and therefore there can be no stability of an investment in this country in an industry that needs the protection, amounting to the difference in the wage standard of living and taxes.

Secretary HUMPHREY. I do not agree with your "therefore." I do not agree that that means there can be no stability. I think there are many instances in many ways that business can be interfered with and destroyed. I don't think that means you cannot have business. The less there are the better, but you have to have some sometimes and I think it is desirable here.

Senator MALONE. I am against creating another.

In the matter of fuel displacement, if it is displaced by a domestic product that pays the same wages, nobody has a kick coming. It is only when it is displaced by a foreign product where the wages are much less and the taxes are much less and the cost of doing business is much less that we have this legitimate complaint, wouldn't you say?

Secretary HUMPHREY. That where what has the legitimate complaint?

Senator MALONE. That we have a legitimate complaint.

Secretary HUMPHREY. Who has? I don't understand who? The domestic producer?

Senator MALONE. The coal and oil producers.

Secretary HUMPHREY. The domestic producers?

Senator MALONE. The domestic producers, if any type of fuel has been displaced by another type that is paying the same wages and taxes, and so on, have no complaint. If they are displaced by the lower-cost labor in another nation by importing a fuel that costs less due to the lesser cost of doing business, they would have a legitimate complaint.

Secretary HUMPHREY. To the extent of the security of the country being involved, that is something that has to be taken into account.

Senator MALONE. I think you have already answered this. You think it helps the security of the country to be dependent upon a foreign nation across a major ocean for any material without which we cannot fight a war?

Secretary HUMPHREY. I do not.

Senator MALONE. I presume you know that that has been brought about.

Secretary HUMPHREY. I don't know.

Senator MALONE. You are getting 900,000 tons of manganese annually from India.

Secretary HUMPHREY. We haven't any manganese in this country that will support us.

Senator MALONE. I thought you didn't want to discuss details. If you want to go into that, we will.

Secretary HUMPHREY. I will be glad to go into that because I know about that one.

Senator MALONE. You have broken a very good industry in the West in manganese by the simple fact that you are importing manganese from India cheaper than you can get it in a Western State there, and one of the outstanding mining men of the country is on the rocks, and his people are on the street because of that fact.

Secretary HUMPHREY. Senator, there is very little manganese in this country that can be made to ferro grade by any process that is known, and we cannot possibly in the United States produce ferro grade manganese to operate this country on. We have to import it from elsewhere.

Senator MALONE. I would just say in passing that there is enough manganese in the Western Hemisphere and in this Nation for use in the foreseeable future, and we don't have to take it from India.

Secretary HUMPHREY. When you are talking about the Western Hemisphere, that is quite different. That is not this country.

Senator MALONE. That is right. There is enough low-grade manganese in this country to produce a very great part of the manganese we need here, so that coupled with the stockpile, you can get it.

Secretary HUMPHREY. I am sorry, but there is no way to benefitiate it sufficiently to make any appreciable amount.

Senator MALONE. Maybe you ought to read a little further in the research that has been going on recently. I have a high regard for your ability in this matter because you are connected with certain steel companies.

Secretary HUMPHREY. That is one thing I have been in, and I know what I am talking about.

Senator MALONE. You have been Secretary of the Treasury for about 2½ years and haven't kept up with it.

Secretary HUMPHREY. That might be.

Senator MALONE. The manganese situation in the United States has never been thoroughly understood.

The domestic purchase programs beginning in 1952 and under law obliged to continue until 1958 have accumulated up to December 31, 1954, 11,727,000 long ton units of manganese. This would be equivalent to some 250,000 tons of manganese ore at 50 percent manganese content.

During 1954 some 200,000 tons of domestic ore was produced, based on a 35 percent manganese content. The price for all domestic ore under the various purchase programs is \$2.30 a unit, whereas the world price at the moment is 87 cents per unit delivered to United States ports.

The sources from which the domestic purchases are being made at present in Arizona, New Mexico, Montana, and other Western States do not constitute the answer to a permanent supply for domestic consumption which during 1954 amounted to 1,700,000 tons of ore. There is only one deposit in the country which is capable of large production—the Three Kids property near Las Vegas, Nev., but the total reserve is estimated at only 17 million tons. This property is now under operation but under a separate contract from the domestic purchase programs and at a much lower price.

During 1954 some 2,250,000 tons of ore were imported with India being the principal supplier, with Africa and Brazil supplying most of the balance.

The imports of manganese, of course, are directly dependent on the rise and fall of steel production but each year steel production continues to rise until 100 million tons a year will be normal. Only 3 or 4 years ago this was considered to be an abnormal production.

There are 3 domestic sources, 2 of which could make us entirely independent of foreign imports and the third at least one-half. The first source is in the Cayuna Iron Range in Minnesota where there are many hundreds of millions of tons of low-grade manganese ore available and it is quite possible that this figure might run into a few billion tons.

A research job for the recovery of manganese by the Manganese Chemicals Corp. is underway at the moment and it looks as if it might be successful. This would be comparable to the production of high-grade iron ore from the vast taconite deposits in the Lake Superior region. Fifteen years ago these deposits were ignored and the possibility of producing high-grade iron ore was scoffed at. Today these deposits are being worked on a gigantic scale and at prices that are fully comparable with the natural raw iron ores. There is no reason why the same thing could not be done with the low-grade manganese ores and they would further have the advantage of iron ore as a byproduct whereas the taconite deposits have no byproduct value.

The second would be the manganese deposits in Maine where it is estimated there are upward of 200 million tons reserve. There is no pilot plant or other active research work being done on these deposits at the moment; nevertheless, the deposits are of such magnitude that serious research work is warranted.

The third possibility is the recovery of manganese from blast furnace slags. It has been estimated that nearly one-half our annual needs could be met from this source. If it were only one-third it

would still be a large figure. A pilot plant was constructed by the Mangaslag Co. but to date for a variety of reasons not much progress has been made; nevertheless, the idea is a good enough one so that it should be pursued to a conclusion.

With tariff protection on a fair and equitable basis there is every reason for believing that this country could be in an entirely independent position if the same kind of technical skill and money that the taconites received were devoted to the Cayuna and Maine deposits.

The world's largest and most important manganese deposit is currently being developed in Amapa, Brazil, north of the Amazon River. This is being operated by the Bethlehem Steel Co. with money borrowed from the Export-Import Bank. Shipments will begin the middle of 1956 and it is estimated that high-grade ore of 50 percent or more manganese content can be delivered at Baltimore for 65 cents a unit. There still remains however the hazard of ocean shipping in time of war.

There appears to be some reluctance on the part of the Office of Defense Mobilization to vigorously push research and pilot plant work on the large low-grade manganese deposits in this country. Every effort should be made to speed up this work so that in the next emergency we will be ready.

We spent millions of dollars in World War II and the Korean war in hurried research work which accomplished nothing and at a time when men and materials were at a premium. If suitable tariff protection were granted it is believed that private companies could be induced to take a part in it and if necessary this Nation could become independent of foreign sources.

You have columbium from Algeria. You are paying the same price for the columbium there as you pay in Idaho or any other place in the United States, and therefore you are dependent on an area that wouldn't be available in time of war.

I could go on with a good many of these minerals and materials. I was interested in your statement awhile ago about lead and zinc.

I suppose you know about that, too, but we were producing 75 percent of what we used in the United States when we made this trade agreement. They have cut it to about one-third, each of them.

One of the things that cut it worse than anything else was when we furnished the money to England to build up a large stockpile, or, through practically the free-trade setup, they started to import it in here in 1953 and turned this 16-cent price into a 10-cent price, and about 90 percent of the deposits of zinc—speaking particularly of zinc now—went into country rock. It is a 10-cent price or 11-cent price, and at that price you cannot pay 15 to 18 dollars a day wages, but you can pay the 50 cents to 1 dollar a day wages in Africa.

We furnished the money to England to buy that stockpile, so it didn't make any difference what they got from it. If they had to pay the tariff when it came in and it represented the difference, it would have been very helpful. Would you agree to that?

Secretary HUMPHREY. That is part of what I testified to right in the beginning, Senator, when questioned by Senator Kerr. A part of our difficulty is partly as you outline it and partly because of other stimulation due to war purchases and expansion—

Senator MALONE. These war purchases were by England with our money.

Secretary HUMPHREY. There was a great rush to buy lead and zinc and to stockpile and store it, and then there was a change of opinion in many places in the world and you had a great disruption in that industry. That was a temporary thing that no matter what you had done you would have been a lot of trouble.

Senator MALONE. It is still going on.

Secretary HUMPHREY. But as that temporary thing gets worked out, you will then get down to a much more normal situation in the production of lead and zinc throughout the world, and then you will have to apply whatever the rules are that will be applicable to protect this country.

Senator MALONE. There is no rule now applicable. In other words, you have no tariff now that amounts to anything at all, no duty that amounts to anything, because it has been cut clear below the differentials. I know you made the remark for the first time that I ever heard an administration official say it, that there might be a raise in duty, but there has never been any in one of the trade agreements that I can remember in 22 years.

You cannot get private investments in lead and zinc now. I am just using that as an example. You cannot get an investment in a sheep or cattle business because you have no protection. Our great man down there in FOA advertised the other day for a half-million dollars worth of hides for 23 producers over in Korea and said that the world could bid on it.

After I turned loose a release on it he changed that afternoon. But we didn't take his authority away from him.

There is no tariff on the hides to make up any difference. So the taxpayers of America take up the slack.

So I merely come back to the question: I know you want to stabilize business in this country worse than anything else. How are we going to stabilize investment in business in this country when one man, on his judgment, taking in all the world factors—and you hardly know how many world factors are taken into consideration, and some, we think, are taken into consideration that have been out-moded for a long time—can destroy that business by an executive order under a trade agreement? How can you do that?

Secretary HUMPHREY. All I can say is what I have said before. Under present circumstances you have elasticity that permit readjustments which can be made.

Senator MALONE. Why don't we give the Tariff Commission the elasticity?

Secretary HUMPHREY. I have answered that.

Senator MALONE. On a principle.

Secretary HUMPHREY. I have answered that one, too. I don't think you can do it with the elasticity that is required in the straitjacket that will be laid down for the Tariff Commission to operate.

Senator MALONE. You just do not believe in the principle I read in the law.

Secretary HUMPHREY. Not for the present. Whether we will get to that, I don't know. Not for the present.

Senator MALONE. You know that there have been probably 500 industries badly injured. I will name 2 or 3 or 4. You know that

machine tools are facing a terrific competitive market. Crockery. Glassware is on the way out. Minerals are on the way out. There are very few mining operations in the United States today that do not have Government subsidies in one way or another. I know you guarantee their price or subsidize them through short-term amortizations or lend them the money.

Secretary HUMPHREY. I don't think short-term amortization is a subsidy. That is not for normal business, at all. The purpose of that was to greatly stimulate an uneconomic production. That is what it was for, to stimulate an uneconomic production, a production greater than the economy demanded.

Senator MALONE. Is that an uneconomic production of copper in Nevada?

Secretary HUMPHREY. They don't produce more than the United States consumes. They were put in for the purpose of getting the production higher because of the Korean incident.

Senator MALONE. If you applied the tariff—

Secretary HUMPHREY. This was a war measure you are talking about now.

Senator MALONE. What is that?

Secretary HUMPHREY. That is a war measure, rapid production was a war measure. It was dreamed up as a method of increasing production.

Senator MALONE. Is there a war now?

Secretary HUMPHREY. No. That is the reason it was put in.

Senator MALONE. You are still using it.

Secretary HUMPHREY. It is only being used today and only should be used today in those cases where materials are required for military purposes for our security, that we have not insufficient abundance.

Senator MALONE. I thought you just said the opposite a while ago, to produce more than necessary for the market.

Secretary HUMPHREY. For security. It was for war measures. That is the only reason for using it today. It should be limited to those things we are short of in the event of war.

Senator MALONE. I give you this information. If you let the 1930 Tariff Act take over in the case of these minerals, you won't have to put any of it in. You will get the money in the business and be protected.

Secretary HUMPHREY. I don't believe, Senator, you can make as broad a statement as that. I don't believe it is true. There are some minings in this country, no matter how much tariff you have, you couldn't get.

Senator MALONE. It may be a little too broad a statement. You do not need to come to the Government and borrow money from the Government, and if the industry loses it, the Government loses the money. You are doing that right and left just the same as you did during the war.

Secretary HUMPHREY. In what regard? If we can save a little money, I would like to.

Senator MALONE. I don't know whether you can save any or not. You are doing it in some of these minerals. You are advancing money to those industries that could be in business for themselves if you just had the principle adopted which existed under the 1930 Tariff Act. I don't think you can save any money—

Secretary HUMPHREY. I think we are doing our very best to limit the use of rapid amortization only to those places where we have war shortages.

Senator MALONE. By insisting on the executive having the right to destroy an industry whenever they want to, you are promoting Government money into business. That is the only kind of money that will go into business.

The saying has been for 20 years you must have the Government as a partner to be able to get into business.

Secretary HUMPHREY. Don't you think you are getting a little too broad? Last year we had \$25 billion of private money that went into business expansion in America. I think when you say there isn't any money for business, that is a little bit strong.

Senator MALONE. I didn't say that. I said in certain industries that are subject to duty protection, there is a very great hesitancy to put money in them right now unless the Government is interested in some way.

Secretary HUMPHREY. That may be true, that in a few cases that happens, but the great majority of cases are on their own.

Senator MALONE. If you reduce the tariff, Mr. Secretary, any amount at all, or the duty, if it does correctly represent that differential as outlined in the 1930 tariff law, if you reduce it 2 percent below that differential, it is necessary either to reduce the wages or write off the investment for that 2 percent reduction in costs or go out of business; isn't it?

Secretary HUMPHREY. Well, you see, Senator, you have drawn a very fine line between the maintenance of uneconomic production that would be stimulated by competition to reduce costs and a point beyond which it is impossible to do it.

Senator MALONE. You know the Tariff Commission has that authority, don't you?

Secretary HUMPHREY. You have a very fine line. None of us do the very best we can unless we have some pretty sharp prod making us do it.

Senator MALONE. We have domestic competition.

Secretary HUMPHREY. And you need some real competition in order to do it.

Senator MALONE. You mean, you need low-wage competition from foreign nations to stimulate our production here?

Secretary HUMPHREY. I don't think so.

Senator MALONE. What did you mean by that?

Secretary HUMPHREY. You need competition to spur you on.

Senator MALONE. Foreign competition?

Secretary HUMPHREY. I think some foreign competition.

Senator MALONE. Low-wage competition?

Secretary HUMPHREY. To offset wage differential. There may be other things that will do that. There are a lot of things to take into account. It isn't just wages.

Senator MALONE. Give us an example.

Secretary HUMPHREY. What?

Senator MALONE. Give us an example.

Secretary HUMPHREY. Take your own very remarks just a minute ago about copper, for instance. There isn't any copper in this country

that can compete in cost with Belgian Congo copper. That is not because of wages. That is because of the ore in the ground.

Senator MALONE. It just happened I came back recently from Chile, and I went to the newest plant in the world, in northern Chile. I would like to readjust my estimates, but I think there are about 250 Americans they have there out of about 12,000 employees. To Americans they pay the wages they pay here, or a little more. They are the superintendents and the foremen and the ones who train the workers. The workers themselves, in the form of dollars, get a very low wage. But after a few months they are almost comparable in production to an American working in the shop.

So American machinery and American know-how goes anywhere in the world. It is true that in some places there are higher grades than others. But if you have a tariff that represents that difference in wage, standard of living, and taxes, and cost of doing business here and in the competing country, you still have competition, but you only get it when you need the copper, and then you stimulate other production in this country. You will never get another independent company going into the copper business here as long as you have free trade, or any other business, simply because it cannot be manipulated between the cost there, the production there, and the production here.

As in a gas war, when one of them goes out of business, then you pay through the nose. Copper prices were just raised the other day. That may be entirely justified. But there is no competition. Many times I have been told that there are no other copper deposits in the United States.

As you say, there is one about a hundred miles out of Reno, and I know of a good many more. When they began to develop it, they got the short-term amortization and guaranteed price per unit, and it is in production. I would like to get away from that and help you save some money.

Mr. Secretary, would you subscribe to the suggestion that has come out of the State Department a good many times, that when these industries do go out of production and the jobs disappear, Congress appropriate money and compensate the workers through unemployment insurance, and the investors through making up part of their investments in some way?

Secretary HUMPHREY. I was asked that earlier.

Senator MALONE. I missed it. I am sorry.

Secretary HUMPHREY. I said I didn't want to comment on any generality about it, and I have never heard of or seen a plan that seemed to me that was very appropriate.

Senator MALONE. I never did, either. I thought I would ask you because—

Secretary HUMPHREY. That doesn't mean that there may not be one.

Senator MALONE. It has been suggested. Of course, it may be necessary. We have Mr. Reuther down here, who is the head of a great labor organization and now has joined another labor organization. He is for free trade and higher unemployment insurance, and a good many other things for increasing employment and for a higher rate of payment for unemployment.

Do you agree with that thought?

Secretary HUMPHREY. Again, I don't think I can comment on generalities regarding people's statements. It is pretty hard to do that, you know, intelligently.

Senator MALONE. Mr. Secretary, there are many other ramifications to this thing. For example, based on this act, there is the General Agreement on Tariffs and Trade, based on an act that was entered into at the same time that that came in, 3 or 4 years ago, based on this act, the State Department having jurisdiction.

Then there was the International Materials Conference organized by the State Department solely and surreptitiously financed by them after this Congress had turned down the International Trade Organization, all designed for several nations to sit down and divide the markets of the world.

Secretary HUMPHREY. And do what?

Senator MALONE. Divide the markets of the world, with ours in the pot, on the basis, they say, of entitlements for consumption. Have you ever heard of that term?

Secretary HUMPHREY. I never heard it.

Senator MALONE. I have heard it, and I have labored with it for several years and I have never quite arrived at what it means, except that it can only mean one thing, and that is on the basis of population.

Recently we have the spectacle of the United Nations, through its Assembly, passing a resolution—with us not voting for it, I am glad to report to you—following a hearing we had, but still they claim we are bound by it. Whatever nations are in it, and there are about 30 in it now, the rest of them will come in if we are bound.

That group is to do the same thing, estimate consumption and production, and divide it on this entitlements for consumption basis.

Since all these grandiose worldwide socialistic schemes are based on this act they can only be carried out as long as this 1934 Trade Agreements Act is a law. In other words, if it reverts to the Tariff Commission and we fix the tariffs on our production as already outlined by the 1930 Tariff Act which has been made a part of this record, whatever they do would have no force and effect; but when we have this authority in the State Department it could have much force and effect.

Have you ever studied the ramifications and the effect of this act in that regard?

Secretary HUMPHREY. No, I never have.

Senator MALONE. I don't want to give you any advice, but I would like to make a suggestion that you look into it.

Secretary HUMPHREY. Fine. Thank you.

Senator MALONE. I think that is all, Mr. Chairman.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Mr. Secretary, in your response to a question of Senator Barkley's, the Senator from Kentucky, I inferred from your answer that you would be opposed to import quotas on commodities to be established by the Congress.

Secretary HUMPHREY. I think, Senator, that import quotas are to be avoided if they possibly can. I am not sure that they absolutely can be avoided, but I think they are about the last thing to use, if you can avoid it.

Of course, we have them and use them agriculturally, on agricultural products, but they are difficult of enforcement, and they are

difficult to put in. So I would try to avoid them in every possible way unless there is no other method of accomplishing a proper purpose.

Senator CARLSON. I believe you also stated that you were a member of a committee that the President appointed last June, and made your report on energy supplies and resources policy.

Secretary HUMPHREY. That is correct.

Senator CARLSON. In that report, did you not recommend that there be a limitation on the imports of oil, based on the averages for 1954?

Secretary HUMPHREY. We did.

Senator CARLSON. Now, may I ask you this question: What appropriate action do you expect to be taken to carry that into effect unless Congress or someone acts on it?

Secretary HUMPHREY. It may work all right just by itself. The conditions may be such that it will work itself out. If, so, it will be very desirable to have it do that.

If not, some program will have to be presented to the Congress, and I would not want to undertake at this time to say what that program will have to be, until we have some further experience.

Senator CARLSON. I noticed in the report that you had hoped there would be a holding of the line, and I assume that is what you have reference to now.

Secretary HUMPHREY. That is correct. I think the report says that we hope it will be worked out by independent, voluntary action, which can easily be accomplished in view of the very accurate statistics that are kept and the availability of those statistics to everyone concerned.

If it develops that it works that way, it will be fine. If it doesn't develop that it works that way, we will have to give further consideration to what will have to be done.

Senator CARLSON. I am in accord with that. I am discouraged on what has been happening in the past few years, the importation on a percentage basis, based on domestic production for 1954 will be 16.6 percent, and the present importations in 1955 on the present basis of imports, based on domestic production, is running 19 percent.

Secretary HUMPHREY. I don't think, Senator, that you want to in any of these things take too short a period. You have had an extremely cold wave go through most of the country here, and particularly in the eastern seaboard, in the last few months—January and February of this year—which have been some degrees colder in temperature than they were, and a few degrees in temperature can make a great difference.

I think just because January and February have been different, I don't think that indicates that the year will be any different or need be any different. I think the period that you are considering is too short to get an appropriate viewpoint.

Senator CARLSON. Mr. Secretary, I don't want to belabor the point, but we have increased these imports from 300,000 barrels just a few years ago to an average last year of 1,054,000 barrels.

Secretary HUMPHREY. That is right.

Senator CARLSON. There are some of us who have been concerned about this for some years. As a matter of fact, I sponsored legislation last year limiting to 10 percent production, and I expect to co-sponsor some legislation this year limiting it on the theory that some-

thing must be done. I am in accord with you that I hope it can be worked out by agreement, so we don't have to do it.

Unless there is some effort made by some people or by the Government itself to limit these imports, I am somewhat concerned. I will have to say, frankly, that I will have to insist on some limitation unless we can have some assurance that appropriate action will be taken to hold the line.

Secretary HUMPHREY. I think I can agree with you pretty well all the way. I don't think any one of us can say anybody knew the exact figure that should be taken, but within limits there should be something done, and it should be done.

Whether you are correct at 10 percent or whether last year's figure is the correct one or not, I will not argue with you. We thought after all the study we could make that last year's was appropriate. I think you and I can both agree that some figure is appropriate.

Senator CARLSON. I want to commend the Secretary as a member of the Commission, and the Commission, for taking, for the first time, a definite stand on this, because I think it is something that needs some consideration, and I want to commend him for doing it.

Secretary HUMPHREY. I would like to say this; it is out of place here, I think: We have an industrial economy. Our industrial economy has been the source of winning two wars, and that is our main hope for the future, for our security and our protection, and an industrial economy cannot exist without an appropriate fuel base.

Senator CARLSON. Once again I thoroughly agree with you, Mr. Secretary. I think that is a very good statement and one that I have argued for some past years, and as far as the oil industry was concerned, not only from an industrial production standpoint but a defense standpoint.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Mr. Secretary, this has been a long morning, and I am not going to prolong it, but there is one little point I would like to clear up with you.

There was passage of words rather earlier in your testimony, in which you expressed the feeling that the President should be left with the ultimate responsibility for decision in peril-point and escape-clause cases because he had access to more information than was available to the Tariff Commission. That was the impression that I got from your testimony. Certainly, at that time I did not know the exact language that affects that in the law, but I think we should get it into the record.

Section 334 requires all departments of the Government to supply not only information but, where necessary, to detail employees to the Tariff Commission to supply them with any information, and that includes, specifically mentioned, the Treasury Department, the Department of Commerce, the Federal Trade Commission. Then it says:

or any other departments or independent establishments of the Government shall cooperate fully with the Commission to the purpose of aiding and assisting in its work, and when directed by the President, shall furnish to the Commission on its request all records, papers, and information in their possession.

It says:

when requested by the President—

but I cannot assume that the President would forbid any of his executive agencies—

Secretary HUMPHREY. I think the only difficulty is this: We are in this condition in the world, with a cold war, or whatever you want to call it—it certainly is not war and it certainly is not what you and I would like to look forward to and consider for the rest of our lives, as peace. Our security is a highly important element in our daily existence today. The President knows more about that than any other one person, and I doubt very much if all of the elements involved in our security would appropriately be disclosed to a Tariff Commission.

Senator BENNETT. That, of course, is a question for which I don't have the answer, but under the law, apparently, there are exceptions. Of course, we are talking in a sense about a double problem.

The Tariff Commission problem is the finding of the facts. So to the extent that there are facts available, I cannot see that any of them should be withheld from the Tariff Commission.

Then there is the final question of judgment, and one of the points that will be considered before we get through with this legislation is whether the President should be left with that judgment or whether it should be brought back to the Congress without allowing the President the opportunity to exercise it in the meantime.

I appreciate the chance to straighten this much of the record that the Tariff Commission is empowered to use the resources of all of the other agencies of Government before it arrives at the finding of fact.

Senator LONG. May I ask one further question?

The CHAIRMAN. Senator Long.

Senator LONG. I read a story in a newspaper about a billion-dollar windfall or something of that sort in last year's tax bill. Did you see that story?

Secretary HUMPHREY. I saw it, yes.

Senator LONG. Do you know anything about that matter?

Secretary HUMPHREY. Yes, I know a lot about it.

Senator LONG. Could you give us your estimate of the loss?

Secretary HUMPHREY. It has been tremendously exaggerated.

Senator GEORGE. What is it, Mr. Secretary? I saw the story, but couldn't get it.

Secretary HUMPHREY. It has to do, Senator George, with changing reserves on an accrual basis, and accruing certain items. There are no accurate figures on it because there are certain items that have been accrued right along, and other items that the new law permitted to go on to an accrual basis. So it is impossible to get exactly accurate figures. We are and have been—your staff and the Ways and Means Committee staff and our staff—congnizant of this for a long time, several weeks. We have been studying it very carefully and it is one of the very few things that we are going to come back here to ask for corrected measures on in the new tax law.

As we have advised you gentlemen, we are making up a series of corrections. Some of them are simply verbal. Some of them are minor. As you will remember, we had another important one that you did pass on and correct.

In the doing of as big a job as this, some discrepancies can occur which you only learn about in practice. As fast as you learn them

in practice, we are coming back here and asking for correction. That is one we will be back with.

The CHAIRMAN. Can there be retroactive action so there won't be any loss?

Secretary HUMPHREY. Yes, I think so, so as to cover it for the full year.

The CHAIRMAN. You don't think there will be any loss if you make it retroactive?

Secretary HUMPHREY. Well, we will check that and see. We will try to stop anything that was not intended, and the exact way of doing it, we are not quite yet prepared to say, but we will be back with something for you gentlemen to consider on that subject.

Senator LONG. Do you have any present estimate on what the loss might have been under that particular section?

Secretary HUMPHREY. No, I cannot tell you exactly for the reason I stated. You cannot take all accrual items because all accrual items are not involved. So the study is going on to see what it is. It is not anywhere near a billion dollars or anything like that.

Senator LONG. You would recommend that we have some sort of retroactive action to close what you believe might be an inadvertent loophole?

Secretary HUMPHREY. An inadvertent loophole, yes.

Senator GEORGE. It is largely procedural, isn't it?

Secretary HUMPHREY. Yes. It is largely procedural.

Senator GEORGE. It can be corrected and made retroactive.

Secretary HUMPHREY. That is correct. That is one of the things we will lay before you.

Senator LONG. Mr. Chairman, if there is no objection on the part of the committee, this need not appear in this particular record because it is irrelevant to this particular bill.

The CHAIRMAN. Thank you very much. You have been a very frank witness and you have illuminated the subject.

There are two other witnesses—Mr. Wilson, Secretary of Defense, and Mr. Mitchell, Secretary of Labor. The Chair is informed that these two gentlemen cannot be here tomorrow morning because there is a meeting of the Cabinet. So we will proceed, and I hope the committee will not ask repetitious questions. We can soon conclude.

We have with us Mr. Charles E. Wilson, Secretary of Defense.

STATEMENT OF HON. CHARLES E. WILSON, SECRETARY OF DEFENSE, ACCOMPANIED BY CAPT. W. B. THORP, USN (RETIRED)

Secretary WILSON. Mr. Chairman and members of the committee, I have a short statement which I would like to read into the record.

I am glad to have this chance to appear before your committee in support of the bill to extend the Trade Agreements Act. All too often when we make an assessment of friendly sources of strength in the world, particularly of the military posture of friendly countries and the efforts which they may be able to put forth in case of emergency, we forget the economic factors on which a position of military strength must be based. We are not so prone to do this when we assess our own military capabilities and sources of strength.

When I appeared before the House Ways and Means Committee, on January 18, I went into some detail in order to explain why the De-

partment of Defense believes that the extension of the Trade Agreements Act and liberal commercial policies would help in achieving Department of Defense objectives. I also stated how necessary it is that free countries should be in good economic health in order to combat the spread of communism. I do not wish to be repetitive in this statement, but I would like to reemphasize my views in this matter.

The Department of Defense hopes that this proposed foreign economic policy will assist in achieving the following important objectives:

(1) To increase and improve the productive capacity available in this country to meet the requirements of an expanding economy as well as to meet the needs of an all-out emergency. It should also increase and improve the productive capacity in the friendly nations who are allied with us for these same purposes. Such productive capacity in other nations will obviate the necessity for the long ocean haul of tremendous quantities of the products which are subject to high consumption during a war, such as ammunition. It also disperses our total combined productive capacity and lessens the possibility of having a single source destroyed or denied to one ally temporarily.

(2) To make available to this country and to our allies the assurance of a sufficient quantity of strategic critical materials to meet the requirements of an expanding economy as well as to meet the needs of an all-out emergency. We in this country are dependent to some degree upon many parts of the world for some materials just as other parts of the world are dependent upon us for certain items which we produce.

(3) To improve the economy of our allies as much as possible as well as the economy of our own and thus strengthen the free world. The success of any nation in combating communism within its borders in peacetime and of maintaining a strong military potential depends upon a healthy economy which will discourage any growth of communism.

(4) To properly control in the interest of the free world the trade with the nations behind the Iron Curtain. We must be ever conscious of the buildup of the industrial potential behind the Iron Curtain which might be used in an all-out military effort on their part. We hope to deny, through controls, trade in strategic items to the Communist bloc until it is clear to the free world that through a change in attitude on the part of the Communists that such materials will not be used to build up a powerful military machine for aggression against the free world.

Trade in carefully screened nonstrategic items with the Communist bloc may at some time help to promote some basic understandings that will ultimately contribute to peace in the world. Trade is even more important to many nations than it is to the United States and control of trade in even strategic items on a free world basis will be difficult unless markets for trade in nonstrategic items are broadened including as large a market as possible in the United States.

(5) To promote world trade as a means and a reason for keeping the essential sealanes and routes of commerce open to us and our allies and thus build a merchant marine useful in peacetime but vital to the nations of the free world in an emergency.

The United States has military agreements or commitments or interests of one kind or another in Western Europe; the Western Hemisphere; and the Near, Middle, and Far East, including southeast Asia. This is a global military interest and it must be supported by economic strength in the countries involved. One of the ways to achieve this support is to reduce trade barriers to the extent practicable and to eliminate artificial trade restrictions. When I say this, I mean that it should be a mutual, reciprocal reduction and be on a gradual basis so as not to upset the economy of our Nation or of any other nation.

The stronger our allies are economically and militarily the better for both them and ourselves. The final showdown between the free world and the Communist world may not be a military one. We hope not. It could very well be in the economic, political, and propaganda areas. We, of course, firmly believe that our free system is the best and will ultimately prevail. This may not be so readily apparent to some of the less fortunate nations of the world who have not had 175 years of freedom as we have had.

I believe that the passage of H. R. 1, extending the Trade Agreements Act, will prove to be an important step in our efforts to strengthen the free world both in a military, economic and psychological sense.

The CHAIRMAN. Thank you very much, Mr. Wilson.

Any questions by members of the committee?

Senator MALONE. I would like to ask a couple of questions and to make them just as brief as possible.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Secretary, many of us believe that you are really trying to do a good job and any questions we ask you, just as in the case of Secretary Humphrey, are to clarify the record and our position on this very important matter.

I was interested in the statement you made not long ago that we should ship the surplus butter to Russia. I thought you might clarify that statement. I did not comment on it at the time, but I did when another administration suggested it about a year and a half before.

Secretary WILSON. In the discussion before the committee of the House, I mentioned the trade in nonstrategic items, and someone asked me what was a good example of a nonstrategic item, and I said butter, thinking I was pretty safe on that subject.

He said, "would you trade butter with the Russians for manganese?"

I said, "Yes, I would."

The simple reason is that I considered we gained importantly on that kind of trade. We have the butter. We don't know what to do with it. Certainly we could use or stockpile the manganese. The butter gets rancid when we keep it too long, while the manganese will last forever.

It is not only a question of what we trade with the Russians and with China, but we have been trying to get our allies to subscribe to certain restrictions. It is more important to them actually to trade in many cases than it is to our country. Japan and Britain, for instance, where they cannot grow in their own territory enough food to support the population, where they have limited natural resources—the resources on the island of Britain are anthracite coal and maybe a little limestone, and not much else, maybe a little tin in the old mines

in Wales. The Japanese haven't got the iron ore and the coal that they need. They have to trade with somebody.

They are already trading on items that we hesitate to say are the ones that we want our country to sell abroad. So I think it is a very reasonable thing.

I notice the Russians didn't like it. They commented on it. They said I was trying to get strategic material for nonstrategic material. That is my explanation of it. If you are going to trade with them for anything, I think that is as good as anything you can mention.

If you want to say you are going to draw a line and you are not going to trade at all, that is an impossible one for us to police except for our own country. We can tell our nationals that they cannot trade, but there is a considerable trading going on with China and Russia, and we are doing our best to see that the trade is held down to where the ban isn't on just specifically military items, but it is a difficult one.

So I was just explaining it as best I could.

Senator MALONE. I am glad to have it, Mr. Secretary. You probably know that since the end of World War II, the 17 Marshall plan countries have traded almost without stint with Russia and the Iron Curtain countries. In 1949 I put 96 trade treaties into the record that they then had with the Soviet Union and the Iron Curtain countries, shipping them everything they needed to fight a war. The Wherry-Malone-Kem resolution at that time stopped our giving money or goods to any nation trading with them. When the Battle Act came along all the advertising and propaganda was to the effect that it would stop it, but it repealed the only resolution that did stop it, and left it in the hands of the President, and it has never been stopped. They are trading now with them and with Communist China, and they have recognized Communist China, as of course you know.

You know, too, that any material you give a nation preparing for war, whether it is shirt buttons or butter, is a war material.

Secretary WILSON. The question there is whether you gain more than you lose on the exchange. This a barter business. It isn't selling them something on credit that they need. I didn't even say we would take gold back that we would bury in the ground. I said something that would be to our advantage.

Senator MALONE. Let's see if it is. You take a material from Russia: manganese. That was proposed by Harry Dexter White in 1945, that we loan them \$10 billion to get started in the materials because we were practically out of tungsten and manganese and oil and the rest of the materials that we actually have more of now than we had before the First World War.

Morganthau sent the memorandum to the President. The President released the statement to the country that the policy of the Nation was to save our materials and buy them from foreign countries, and that was the basis of continuing the have-not set of concepts.

If the \$10 billion had been loaned them and we had bought all the manganese from there, we would have no source of manganese at all, other than from there and, of course, we would be entirely in their power. We are almost in the power of India anyhow, which is the next most dangerous one.

Secretary WILSON. I don't want to differ with you. I don't think we are in the power of India. We have manganese stockpiled. There are other places we get it besides India. They happen to have good

manganese at a low price. We have to buy some from someplace. But that is one of the items that can be stockpiled and is being stockpiled, and our steel industry would not have to expand in a war. Actually, the peacetime uses of steel in this country are much greater than the wartime requirements would be for steel, because, if you would have the people to produce your military items, you would have to stop the production of other things like automobiles, as was done in World War II.

The net result of it is a decrease in steel requirements. Most people do not quite realize that that is so. The simple reason why it is so is that the military items take a great deal more labor. They haven't been developed through the years for low-cost production. They don't use a lot of stampings and things like that. So you don't need to fear with a stockpile of manganese, that the requirements would be something that would limit our ability to defend ourselves. It isn't something that you need 3 times as much or 5 times as much of in your war production as you do in your peace production.

Senator MALONE. I understand that thoroughly, Mr. Secretary. Are you finished now with that?

Secretary WILSON. Yes, sir.

Senator MALONE. Then I will finish my statement that I was about to make, and that is: When you get a material from a country in some amount, you cannot put it all in a stockpile. A stockpile can be distributed to private industry under certain conditions under the law, and has been before now, and has broken the market.

If you are dependent on that source, and if you get any principal amount you become dependent to that extent, then it tends to retard investments in that industry in this country and elsewhere where it might be available during the war (and it could be in the Western Hemisphere or anyplace) and to that extent, it is very harmful to the future of the country and its national defense. In other words, in free trade, there are three things accomplished. It jeopardizes the employment among the workmen of the country. It jeopardizes the investments. And it jeopardizes, in the very way you describe, our ability to defend ourselves.

There are other materials besides manganese in the same category. I wanted your explanation and from your standpoint it is clear in the record, and I appreciate it.

I wanted to ask you if you do believe that the constitutionality of the principle of transferring to the executive branch of the Government the constitutional responsibility that rests in Congress, which was done in the 1934 Trade Agreements Act, will be determined in the courts. The suit has been filed. But is it a good idea to take away from the agent of Congress, the Tariff Commission, and put in the hands of an executive (whether or not it is the State Department, which it really has always been, although theoretically in the hands of the President) the power to make the final decision of whether or not to destroy a domestic industry by building up imports in that industry, so that theoretically you might sell more of another product?

Secretary WILSON. I will try to answer that question as best I can.

I think the limitations of the proposed law are such that—5 percent a year isn't going to suddenly destroy any industry. I can't imagine the President of the United States destroying an industry. I don't know who is in a better position to judge the interest of all

the people than the President. I would have felt the same way about the former President as I do about the present one.

I don't think either one of them wants to destroy our country. I haven't any fear on that score whatsoever. The President is responsible to the people. He is the Chief Executive officer of our great country. The only thing I worry about is loading him up with too much business.

But this is a kind of touchy, difficult job. I think it would be workable, and I have no fear about it. I am not a free trader, but I am a liberal trader.

Senator MALONE. What is the difference?

Secretary WILSON. A liberal trader—a free trader, you go in for no duty on anything. That is free trade. But the other side of it, by putting prohibitive duties on things, I don't go for that either.

Senator MALONE. Do you know anybody who does?

Secretary WILSON. I thought some of the Republicans did back in 1928—Reed Smoot almost made a Democrat out of me.

Senator MALONE. Do you understand the Tariff Act that was passed in 1930? Perhaps I ought to explain that to you.

Secretary WILSON. We were pretty slow changing our policy after World War I. We had been a creditor nation. You quoted Lincoln a while ago. I admire him as much as any man that ever lived in the world. But at that time our country was trying to build up its industry. It was a creditor nation—

Senator BENNETT. Mr. Secretary, don't you mean it was a debtor nation?

Secretary WILSON. Yes, that is right. Now we are a creditor nation. Thank you.

I am so sold that trade has to be a two-way street. In other words, we have to take into this country substantially in value what we sell or every once in a while we will have to give away a lot of stuff to try to balance it.

As I read history, I am also conscious that wars in many cases, and a great deal of disturbances result from nations trying to find access to raw materials and markets for their goods, and particularly is that true for small nations where they cannot hope to have within their borders all of the different kinds of materials and raw materials they need, nor can they put into production on an economical basis, many of the things that they would like to have. If they can trade the things they can do the best, that are of value to the people of the world, with other nations, they can have a much better economy, and those other nations they can trade with will also gain.

Trade to me is one form of expansion of technology. I happen to be very sold on change and progress. I think the businesses of the country, the nation itself, are amply protected by the limitations of this act. Even with the best intentions too big a mistake cannot be made under this proposal.

Senator MALONE. Well, I didn't know you had finished. You have covered several points there. Will you explain the limitations of the act?

Secretary WILSON. It is 5 percent in any one year. It is quite a different thing than if you could knock off a 25 percent duty in 1 year. I think that any of these things must have an evolution and not a revolution. In other words, you cannot do things too suddenly or

you do adversely affect the interests of too many people importantly.

On the other side, I don't think we can stand still and say whatever is going on now has to be frozen and is the right thing to do forever. I think this has enough flexibility in it to move in the right direction.

Senator MALONE. Is that the only alternative, to freeze it?

Secretary WILSON. No.

Senator MALONE. Well, what does the Tariff Act provide to which we would revert if we do not extend this act?

Secretary WILSON. I judge—

Senator MALONE. Would that be a freezing situation?

Secretary WILSON. I judge it would largely have that effect.

Senator MALONE. Do you understand what the Tariff Act of 1930 says? You talk about the Smoot-Hawley Tariff Act. It was given a lot of publicity at that time, quite a build up. That act provided a flexible tariff and gave the Tariff Commission full authority on its own motion, an application of interested parties, a resolution of either House of the Congress or at the request of the President, to review and determine what the differential of cost of production might amount to here with our wages and taxes and cost of doing business and that of the chief competitive country, and recommended that to be the tariff, regardless of what change it necessitated up or down.

There was a limit of 50 percent, I believe at the time. But probably at that time before the inflation and before the 50 to 75 percent, those changes would have been ample. You are aware that that was included in the act, are you not?

Secretary WILSON. Sure. That is a long time back.

Senator MALONE. It is quite a while. It is 22 years. It is 22 years since we have had any regard whatever for the workingman or the small investors. It has been a long time.

Secretary WILSON. That isn't quite the way I read the business.

Senator MALONE. How do you read it?

Secretary WILSON. I think by our high tariffs earlier in the twenties, and the fact that we became a creditor nation and Europe owed us a lot of money and we wouldn't take anything but gold, helped to bring on the depression. I happen to have written a memorandum to this same committee in the spring—February 1933. I was asked to make any suggestions that I might have on what would improve the very bad situation that existed. I suppose you would find it in the files if you dug for it. Nothing ever happened about it.

I proposed we stockpile materials, the same things we are talking about now, and I suggested that zinc was 2½ cents a pound and copper was 5 cents. It would have been a sensible thing to do. When the Korean war came along and we got badly scared, we stockpiled it at very high figures and stimulated production all over the world in a way that was a little troublesome.

I think we are over that fairly well now. I think the prices are sort of stabilized. They don't look so terribly low to me now, with a little perspective.

Senator MALONE. If it is stabilized, if the price of lead and zinc is stabilized right now, there will be no more appreciable domestic production. The mines are closed down. That may be a good idea and it may not. I was only trying to ascertain if you do believe that

the constitutional responsibility of Congress to do the job in the 1930 Tariff Act established a principle of fair and reasonable competition to determine that differential in cost through its agent, the Tariff Commission, equipped to do that job, if that should be changed and transferred to the executive department—dependent, of course, theoretically, on the President—actually on the State Department, it seems—to determine what should be sacrificed and to what extent—if they can figure it, which I doubt they can—and what industry should be preserved.

Do you believe that that is a proper delegation of power?

Secretary WILSON. I am no constitutional lawyer.

Senator MALONE. I didn't ask you about its constitutional aspect. That will be determined by the court.

Secretary WILSON. I think the way proposed in the bill—

Senator MALONE. Do you think it is a proper delegation of power for the good of the country?

Secretary WILSON. Within the limitations of the law, I think it is. I wouldn't be in favor of just saying the President had the responsibility of putting the tariff anywhere he pleased on any item. I wouldn't be for that. I think that would be putting more responsibility in one man's hands than he ought to be asked to take.

While I think the trend generally through the world, our trend in our country ought to be a little downward in our overall tariffs because these other people—and the hope of keeping the world free, which is not now behind the Iron Curtain, is to raise the standard of living of these people, help them a little bit to help themselves and get them where they don't have such pitiable low living standards. Because when they do, they are ripe for communism. They don't know the viciousness and difficulties of communism.

But it is something that is new from their point of view, and it is some hope to improve their condition. If it isn't improved by the free world, it is going to be pretty tough to keep the propagandists and agitators from sowing them in, and once they are in, they are in. It is not like a country that can swing from the right to the left, and back again. If they make a mistake, they make one big mistake, and it is over.

I also would like to say that I am not fearful about unemployment in our country on anything that is likely to happen as a result of this. I think it is going to stimulate employment. But also I think in the years ahead here, now in the next decade, we are facing a labor shortage in this country.

There were over 4 million babies born last year and our population is increasing very rapidly. Our medical understanding and technology is improving, so people are living longer. If you look at the figures, you will find that the number of actively able people that are going to be working in our country to support the rest of us aren't increasing as rapidly as the people that have to be supported, and their needs are going to be here, and we are going to have a tremendous buying market of our own. I am not worried about it.

I am anxious about the free world outside of our country getting on an improving standard like we have achieved in our country in the last 50 years, and keeping a sufficient part of the world free so we will not be swept by this communism.

Senator MALONE. Then, as I understand it, you think we are buying allies and friends through the division of our own markets, and we can bring the standard of living up of these other nations, and on that basis you think this is a good thing.

Secretary WILSON. I don't think you can buy friends.

Senator MALONE. I don't, either.

Secretary WILSON. I think you can earn friends by being fair and honorable in your ways of dealing and recognizing that basically, as human beings, they have a right to a little place in the sun, too.

Senator MALONE. You didn't hear anybody say that they didn't think they had a place in the sun. I doubt if you did. What some of us do say, however, is that our own workingmen and investors are entitled to an even break in their own markets and entitled to invest their money on a principle laid down by law and not put in the hands of someone who may take in factors that the Congress itself might not agree with, and disperse those jobs. That is what has been happening.

Secretary WILSON. Well—

Senator MALONE. In other words, you can choose the industry that you want to do away with and allow the stuff to be imported—and that is the purpose of my question: Do you believe that power should be lodged in the hands of one man.

Secretary WILSON. Well, I feel perfectly safe in lodging it in the hands of the President of the United States, whoever he may be.

Senator MALONE. I think that is a fair answer to a fair question.

Many of us, without going into detail, since I have already done so today, disagree with that idea for the very reason that even the history of it shows that these industries have been destroyed.

Secretary WILSON. I don't know of an industry that has been destroyed in our country.

Senator MALONE. The crockery industry has been entirely destroyed. The mineral industry is practically at the edge. There is Government money in practically every operation at the present time. The glass industry is going out. The tool industry is getting hurt.

If you would like it, I imagine we could write you a brief on it. The boys are actually on the street at this moment. Do you believe we have gained enough in security and that this should continue? That is my only question.

Secretary WILSON. I am never in favor of putting people on the street.

Senator MALONE. They are on the street.

Secretary WILSON. But you cannot quite stop progress.

Senator MALONE. What is the progress that you want to have?

Secretary WILSON. I am talking, for instance, as an example of it, about the electric traction industry, the street railways. You cannot stop the trend. The coal industry is somewhat deflated because we have found improved ways of using coal. We get a little more electrical power per ton than we did 2 years ago or 10 years ago or 20 years ago. Other fuels have come along that people would rather use.

There has to be a little flexibility and movement in a competitive society. The sons of coal miners are going to have to do something else than dig coal, just like the sons of farmers had to do something else. Fifty years ago there were more people on the farms. Now only 11 percent of our people are on farms. If you go back far

enough, it was 75 percent. They had to move to the cities and get into other businesses. Some movement has to occur in a free society. If it doesn't, the first thing you know you don't have a free society.

If we passed a law that all the sons of coal miners had to mine coal and couldn't do anything different from now on, that would be a terrible thing and there would be great objection to it.

So the plea I make is to let these forces work on their own gradually. Don't do anything real suddenly.

Senator MALONE. Well, Mr. Secretary, that was a great discourse, and I appreciate it. But the coal industry and any other industry in this Nation, in the opinion of the senior Senator from Nevada, has no objection legitimately coming if they are displaced by an industry in this country paying the same wages, same standard of living, same taxes, that they are paying.

However, when they are displaced from an area paying a lower wage, lower tax, and a lower cost of doing business, there may be a different situation.

I will just furnish you with one name. Maybe you would like to get in touch with him. John Smith Co., of York, Pa., a hydraulic machine company. I just went through their plant. They are being underbid by 43-cent labor in England, and they pay \$1.89, or some such average, and the method of making this machinery doesn't differ very much in either case.

I think your own Department has granted some of these bids to the foreign nations on the theory that you are building up allies, but these people are cut down in their business and see the exit very clearly.

Some of us believe—and that was the reason for my question, and your answer is very clear—that it should be based on a principle laid down by Congress, by an agent of Congress, just as the Constitution provides. The Congress provided that fair and reasonable competitive basis for determining the tariff should be established.

All I have asked you—and I think it is clear that you do believe in it—is this: Should we change that principle on which investments in this country have been made for 100 years to the decision of 1 man in the Executive Department, whether it be the President or the Secretary of State, or whoever he be, to determine to what extent these industries should be cut down; that is to say, how necessary they are and whether the purchases from foreign nations are more important than the principle, more important than the preservation of the jobs and the investments in this Nation.

I take it that you believe that this man should have the authority.

Secretary WILSON. I think that is the safest place to put it, myself. I might be wrong.

Senator MALONE. There is one other thing I would like to mention. Whether it is 5 percent or 10 percent or 15 percent, if the duty is proper between the cost of doing business here and in the chief competitive nation on any product, and you lower the duty as much as 2 percent, I think you, as a businessman, would say that you have to meet that through a lowering of wages or writing your investment down or going out of business.

Secretary WILSON. You could get your cost down and organize your place a little better, and organize your efficiency a little better.

Senator MALONE. Then, shall I understand that this is one of the reasons that you are in favor of letting in the low-cost labor goods, because you want to force these men, these industries and individuals, to be a little more efficient?

Secretary WILSON. Well, that is part of the free society approach to things. But it is also a reasonable approach to world trade. I am not expecting—

Senator MALONE. I pinned it on the one thing. Is that what you would like to do, force these men in the mineral business, crockery business, gas business, and machinery business, to be more efficient to meet this low-wage competition? Is that one of the factors?

Secretary WILSON. I don't want you to think that I am only looking at it one way. I think the general tide ought to be toward a gradual reduction and improvement over the world. But you take the jeweled watch business. The competition from the Swiss had been so effective that our watch industry was down to where we were producing 20 percent of our requirements.

I didn't think that was right, and I particularly didn't think it was right when it involved especially skilled people that we might need very badly. So the Defense Department took a definite position on that, and that one was raised. I think that you have to keep looking at each one on its own. I think part of the trouble with the mining industry was it was overly stimulated by the high prices during the stockpile times when the whole world was producing not only its requirements but extra for stockpiling purposes, and we brought in some high-cost producers that may have trouble to exist at fair prices.

I don't know, maybe they can take a look at their affairs and get along pretty good. Unfortunately, without complete state control, like a fascist or communist society, you have in a free society the problem of what you do with the marginal producers.

There are some people that have to quit doing what they are doing because they can't do it very well, and tie on to something else that they can do better, where the economic result of their labor is more desirable and appreciated by the population as a whole, and that has to go on. It is a profit and loss system all the time. We only think of it as a profit system, but once in a while somebody has to lose enough to force him into another business or some other occupation. I know of no way to get around that except to have a great understanding with respect to it and not let it happen too fast to any group of people.

Senator MALONE. There is no one in this Nation that I have a higher regard for in mass production than you yourself, but if you just stay with the question just a minute, I would appreciate it.

As long as you have had this discourse, I would just ask you— you brought in a new factor—that in case you need these products for national defense or the people are needed as skilled workers, then you believe that this low-cost labor competition should not be allowed to put them out of business or cut them down materially.

Secretary WILSON. That is correct.

Senator MALONE. But if they are not needed, particularly in national defense, if a stockpile could take its place, or in the Western Hemisphere it could be produced and protected rather than across a major ocean, you believe then that this low-cost labor material should be allowed to come in, regardless of the effect it has?

Secretary WILSON. Not regardless of its effect.

Senator MALONE. I am talking about your 5, 10, 15, or the 50 percent you already are allowed to use.

Secretary WILSON. I am not sufficiently familiar with the details of what happened under the 50 percent. But obviously it hasn't hurt our country too much because we are the most prosperous nation in the world, with the highest standard of living. I can see much progress ahead. I am not discouraged about it, as long as it is handled sensibly.

The only point is not to subsidize any particular group too much, because that is too expensive for all the people.

Senator MALONE. Do you think now, without making a speech about it and without philosophizing, that we should have the protection here for an industry that amounts to the difference in the wage standard of living costs, taxes, and the cost of doing business as between this Nation and the chief competitive nation on each industry? Do you think you ought to abandon that principle? That is the principle we had and would have if this act were permitted to expire.

Just consider the wages and taxes. Do you think you should bring in this outside cheap labor product, to compensate the people that have to purchase the product for the high taxes they pay?

Secretary WILSON. I think the thing has to be compromised a bit. I don't think you can move to one extreme or the other. Labor rates alone are not the answer at all. American workmen are paid higher wages, but they produce a lot of work, and mostly they are organized pretty effectively by the management. Their time is not wasted. They have the willingness and the desire to work for things they would like to have, which is a great thing, and it is missing in some countries.

I used to have some experience in operations in other parts of the world, and I am not conscious of any place where we could build an automobile any cheaper than we can in the United States, no matter if we paid a third of the wages.

Senator MALONE. I don't know that you can. I know Mr. Ford has 26 plants outside the United States, and he has a \$1,300-foreign-made Ford in New York that is a little shorter than some of these, and runs pretty well. He pays \$3.50 a day for labor over there, and has the same assembly line he has in Detroit.

Secretary WILSON. I predict he won't make much money on importing those little cars into this country, but it is part of the free-enterprise system for him to try it.

Senator MALONE. And you think we ought to take the tariff off the cars?

Secretary WILSON. I didn't say so.

Senator MALONE. He is a free trader and he wants to take it off. He is in the business.

Secretary WILSON. I don't know what it is now, because it was never an item of any importance to me. But if we reduced it 5 percent next year, I don't think it would hurt anybody.

Senator MALONE. It is 10 percent now, but to get a car into a foreign country it is 40 percent.

Secretary WILSON. This is a reciprocal one we are talking about.

Senator MALONE. No. I wanted to say to you and I have been trying to keep track of the discourse, that it is a one-way street, that none of these countries ever have lived up to their so-called reciprocal trade. In other words, they change the price of their currency in

terms of the dollar value, or they have an exchange permit or permit on imports, and it makes it a one-way street in 90 percent of the cases. Do you understand that or have you studied that?

Secretary WILSON. I know their problems in that area on the inflation and the devaluation of money. I know that that is a disastrous thing for a country. I strongly believe in stability. I am not in favor of either inflation or deflation. I wouldn't want deflation to hurt our country because I don't think we can readjust our business fast enough. We would have too many frozen situations. We would have too much trouble with the labor if we had a deflation in our country. I am sure it would upset the whole business, and we would have a lot of unemployment. So I believe in a reasonable stability in prices and economy in our Nation, No. 1, because we have so much responsibility in the world that if we had an economic collapse in this country, it would probably go through the whole free world.

I just believe that that setup that has a little flexibility in it, that moves cautiously with reason in the right direction is the one we should have. That is what I think this act provides for. I think it was long overdue when the very first approach to this kind of thing was made. I think it should have been made rather promptly after World War I.

Senator MALONE. Mr. Secretary, again I ask you the question and you go rather far afield. I did not intend to take up as much time as we have here. I just want to know your slant on it. I think we have it that you do believe that the President should be given the authority to move this trade around, to try to increase our exports or try to increase our security or whatever you might call it through the authority to destroy any industry in this country he cares to destroy and he can build up any industry he cares to build up.

You know it can be done through duties on imports and if you decrease it 2 percent, you have to meet that through your reduction in your labor costs or you write down your investment to meet it or go out of business.

A good example is Mr. Hoffman, who has been the greatest exponent of free trade. He decreased the wages of his boys in Ohio and he is now building a plant in Japan where he can get 90 cents an hour skilled labor. That is going on. Large investors can do that. Small investors cannot do that, and the workingman cannot move to a foreign country. It is all very well to say they can go into another business, but what business? It is a question whether you leave it to one man to decide this matter or leave it to a principle, as the 1930 Tariff Act does. That act does put it on the basis of a cost-of-living differential, including taxes, et cetera, between this country and the competitive nation, and you believe it is the way to do it, to leave it in the hands of one man?

Secretary WILSON. It is a good way to do it. Whatever is done will be done on the top of the table. All facts will then be reviewed beforehand. I am a little impressed by what Senator Barkley said about the Senate scratching each other's back until they bled. If you leave it for too big a group to handle, there are too many special interests in it, and it will be troublesome to some of you, so that you won't do anything finally. I will be frank about it.

Senator MALONE. There can be no back scratching. A Senator will go down before the Tariff Commission. How will we scratch a back

when we have nothing to do with it unless we brought special material before the Congress. I read this into the record once and I hate to have to do it again, but there is no chance of anything like that taking place under the Tariff Act that will go into effect if we do not extend this one. Have you ever read the 1930 Tariff Act?

Secretary WILSON. I will try to think back. It is difficult to think back that far. It is so many years ago that I don't remember it in any great detail.

Senator MALONE. Your testimony sounds just like that. I think we will let it ride.

The CHAIRMAN. Any further questions?

Senator GEORGE. I want to suggest that at the time we put an embargo on the shipment of butter out of this country, Mr. Wilson, oils were in short supply, weren't they, extremely short supply, and now oil is in a long position, and I think you are exactly right in saying that we might have well traded the butter for manganese if we could have gotten it. Russia can get oil anyway and butter anyway. It seems to me that it is going back to a dark age to think that Russia couldn't buy butter now when butter is in strong positions all over the world, especially in the hands of her neighbors, who are very close to her.

Secretary WILSON. I would like to mention one thing, if I may, that helps to enlighten the problem for me, and it is a difficult one. If our Nation was shut off from access to the raw materials of the world where there happens to be good deposits, like the oilfields in the Near East, or some of these good copper deposits or manganese deposits, if we were shut off artificially and couldn't buy those materials when we needed them, we would be terribly excited about it.

As a matter of fact, that is one of the things we fear, that the Communist world will get control of the good resources of the world and unless we use some of them to our advantage and conserve the limited resources of that nature that we have in our country, we would be making a great mistake on down the years.

We have to have enough flexibility to change with changing times, like Senator George mentioned, on the shortage of fats that existed at one time versus a plenty at the present time.

Senator GEORGE. A long supply.

Secretary WILSON. Our policy then is not necessarily the policy now.

Senator BENNETT. Mr. Chairman, as the Senator from Utah who is the successor to Reed-Smoot, may I suggest that it was the Finance Committee or at least the majority of the Finance Committee that finally wrote the Tariff Act of 1930, and may I put into the record at this point section 336, Equalization of Cost of Production, which the been discussed in such detail here today.

The CHAIRMAN. You may put it in the record Senator Bennett, at this point.

(The section referred to follows:)

SEC. 336. EQUALIZATION OF COSTS OF PRODUCTION.

(a) CHANGE OF CLASSIFICATION OR DUTIES.—In order to put into force and effect the policy of Congress by this Act intended, the commission (1) upon request of the President, or (2) upon resolution of either or both Houses of Congress, or (3) upon its own motion, or (4) when in the judgment of the commission there is good and sufficient reason therefor, upon application of any interested party, shall investigate the differences in the costs of production of any domestic

article and of any like or similar foreign article. In the course of the investigation the commission shall hold hearings and give reasonable public notice thereof, and shall afford reasonable opportunity for parties interested to be present, to produce evidence, and to be heard at such hearings. The commission is authorized to adopt such reasonable procedure and rules and regulations as it deems necessary to execute its functions under this section. The commission shall report to the President the results of the investigation and its findings with respect to such differences in costs of production. If the commission finds it shown by the investigation that the duties expressly fixed by statute do not equalize the differences in the costs of production of the domestic article and the like or similar foreign article when produced in the principal competing country, the commission shall specify in its report such increases or decreases in rates of duty expressly fixed by statute (including any necessary change in classification) as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total increase or decrease of such rates of duty exceed 50 per centum of the rates expressly fixed by statute.

(b) CHANGE TO AMERICAN SELLING PRICE.—If the commission finds upon any such investigation that such differences cannot be equalized by proceeding as hereinbefore provided, it shall so state in its report to the President and shall specify therein such ad valorem rates of duty based upon the American selling price (as defined in section 402 (g)) of the domestic article, as it finds shown by the investigation to be necessary to equalize such differences. In no case shall the total decrease of such rates of duty exceed 50 per centum of the rates expressly fixed by statute, and no such rate shall be increased.

(c) PROCLAMATION BY THE PRESIDENT.—The President shall by proclamation approve the rates of duty and changes in classification and in basis of value specified in any report of the commission under this section, if in his judgment such rates of duty and changes are shown by such investigation of the commission to be necessary to equalize such differences in costs of production.

(d) EFFECTIVE DATE OF RATES AND CHANGES.—Commencing thirty days after the date of any presidential proclamation of approval the increased or decreased rates of duty and changes in classification or in basis of value specified in the report of the commission shall take effect.

(e) ASCERTAINMENT OF DIFFERENCES IN COSTS OF PRODUCTION.—In ascertaining under this section the differences in costs of production, the commission shall take into consideration, insofar as it finds it practicable:

(1) IN THE CASE OF A DOMESTIC ARTICLE.—(A) The cost of production as hereinafter in this section defined; (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; and (C) other relevant factors that constitute an advantage or disadvantage in competition.

(2) IN THE CASE OF A FOREIGN ARTICLE.—(A) The cost of production as hereinafter in this section defined, or, if the commission finds that such cost is not readily ascertainable, the commission may accept as evidence thereof, or as supplemental thereto, the weighted average of the invoice prices or values for a representative period and/or the average wholesale selling price for a representative period (which price shall be that at which the article is freely offered for sale to all purchasers in the principal market or markets of the principal competing country or countries in the ordinary course of trade and in the usual wholesale quantities in such market or markets); (B) transportation costs and other costs incident to delivery to the principal market or markets of the United States for the article; (C) other relevant factors that constitute an advantage or disadvantage in competition, including advantages granted to the foreign producers by a government, person, partnership, corporation, or association in a foreign country.

(f) MODIFICATION OF CHANGES IN DUTY.—Any increased or decreased rate of duty or change in classification or in basis of value which has taken effect as above provided may be modified or terminated in the same manner and subject to the same conditions and limitations (including time of taking effect) as is provided in this section in the case of original increases, decreases, or changes.

(g) PROHIBITION AGAINST TRANSFERS FROM THE FREE LIST TO THE DUTIABLE LIST OR FROM THE DUTIABLE LIST TO THE FREE LIST.—Nothing in this section shall be construed to authorize a transfer of an article from the dutiable list to the free list or from the free list to the dutiable list, nor a change in form of duty. Whenever it is provided in any paragraph of Title I of this Act, or

in any amendatory Act, that the duty or duties shall not exceed a specified ad valorem rate upon the articles provided for in such paragraph, no rate determined under the provisions of this section upon such articles shall exceed the maximum ad valorem rate so specified.

(h) **DEFINITIONS.**—For the purpose of this section—

(1) The term "domestic article" means an article wholly or in part the growth or product of the United States; and the term "foreign article" means an article wholly or in part the growth or product of a foreign country.

(2) The term "United States" includes the several States and Territories and the District of Columbia.

(3) The term "foreign country" means any empire, country, dominion, colony, or protectorate, or any subdivision or subdivisions thereof (other than the United States and its possessions).

(4) The term "cost of production," when applied with respect to either a domestic article or a foreign article, includes, for a period which is representative of conditions in production of the article: (A) The price or cost of materials, labor costs, and other direct charges incurred in the production of the article and in the processes or methods employed in its production; (B) the usual general expenses, including charges for depreciation or depletion which are representative of the equipment and property employed in the production of the article and charges for rent or interest which are representative of the cost of obtaining capital or instruments of production; and (C) the cost of containers and coverings of whatever nature, and other costs, charges, and expenses incident to placing the article in condition packed ready for delivery.

(i) **RULES AND REGULATIONS OF PRESIDENT.**—The President is authorized to make all needful rules and regulations for carrying out his functions under the provisions of this section.

(j) **RULES AND REGULATIONS OF SECRETARY OF TREASURY.**—The Secretary of the Treasury is authorized to make such rules and regulations as he may deem necessary for the entry and declaration of foreign articles of the class or kind of articles with respect to which a change in basis of value has been made under the provisions of subdivision (b) of this section, and for the form of invoice required at time of entry.

(k) **INVESTIGATIONS PRIOR TO ENACTMENT OF ACT.**—All uncompleted investigations instituted prior to the approval of this Act under the provisions of section 315 of the Tariff Act of 1922, including investigations in which the President has not proclaimed changes in classification or in basis of value or increases or decreases in rates of duty, shall be dismissed without prejudice; but the information and evidence secured by the commission in any such investigation may be given due consideration in any investigation instituted under the provisions of this section.

The **CHAIRMAN.** Are there any further questions?

Senator **BARKLEY.** Are you going around the table or opening it up for anybody?

The **CHAIRMAN.** Opening it up.

Senator **BARKLEY.** I would like to ask the Secretary 1 or 2 questions. I want to say that I appreciate the broad basis upon which you have given us your views here today. I would like to ask you to draw a comparison between the dangers we might face under the act with its limitations in its effect upon any isolated or specific industry and the danger that we might face if we adopted a rigid, inflexible policy toward other nations, especially our friends among the nations.

That might drive them to trade with our bitterest enemy. In other words, if I gather the import of your views, if we adopt such a rigid inflexible policy of trade with our friends in the world, including Japan, Great Britain, many of the South and Central American countries, so that we drive them into the arms of our enemies economically, that creates a greater potential danger to us than what might happen or be the result of some isolated situation growing out of the admin-

istration of this act with all of its limitations; is that a fair statement of your views?

Secretary WILSON. Yes, sir.

Senator BARKLEY. And when we have driven them into the arms of our enemy by an economic position we take or policy we adopt, we stand little chance to get them back.

Secretary WILSON. That is right, and we add to the danger of war versus the possibility of establishing peace in the world.

Senator BARKLEY. I think a good many people lose sight of the broad possibilities and the worldwide implications of this whole program here as compared with some localized, isolated situation in which they might have an interest. I find we are all tempted to do that because, as Hancock said, the tariff is a local issue. That was said many years ago.

I appreciate very much the broad viewpoint that you have expressed here in regard to this program.

No further questions. Thank you very much.

The CHAIRMAN. Are there any further questions?

Thank you very much, Mr. Wilson.

Secretary WILSON. Thank you.

The CHAIRMAN. Our last witness is the Honorable James P. Mitchell, Secretary of Labor.

Mr. Mitchell, will you proceed.

**STATEMENT OF HON. JAMES P. MITCHELL, SECRETARY OF LABOR,
ACCOMPANIED BY PHILIP ARNOW, ASSOCIATE DIRECTOR, OFFICE
OF INTERNATIONAL LABOR AFFAIRS**

Secretary MITCHELL. I have a prepared statement, Mr. Chairman. Shall I read it?

The CHAIRMAN. Yes, sir.

Secretary MITCHELL. Mr. Chairman and members of the committee, it is a privilege to appear before you today in support of renewal of the reciprocal trade agreement authority, as contained in H. R. 1.

I shall not take the time of the committee to discuss in detail the basic principles which underlie this program, nor the importance and real need for the extension of this authority which the President has requested. I should like to indicate to the committee some of the aspects of the program which fall within my particular responsibilities as Secretary of Labor. Those responsibilities, of course, are to foster, promote, and develop the welfare of the workers of the United States.

International trade should not be looked upon as a process by which foreign goods displace our domestic products, but as an exchange of goods which benefits all parties to the trade, and which is important to a healthy economy. It is, in other words, a two-way street.

Let us look, for example, at the amount of business and the number of jobs in this country which are dependent upon our export trade. Recently, our export trade has been running at about \$15 billion a year in merchandise, not counting such items as investment capital. For many industries, our exports have exceeded competing imports. Indexes compiled by the Department of Commerce show a gain of almost 2 percent in the volume of United States merchandise exports

in the first 11 months of 1954 as compared with the same period of 1952, and a drop in the volume of imports for consumption of almost 3 percent. On an overall basis, then, the change in foreign trade since 1952 has continued to show the importance of exports to employment in the United States.

It has been estimated, in this connection, that of a total of more than 61 million persons employed in the United States in 1952, some four and one-third million were attributable to work generated by our exports and by the handling of imports. When we consider this figure of well over 4 million persons whose employment and purchasing power is due to foreign trade, it becomes clear that the American worker's well-being has a heavy stake in the development and maintenance of high levels of trade.

That is all very well, it has been said, but we know that the United States today has the highest wages and labor standards of any country in the world, and that American industries and workers cannot compete in the world's markets with goods which are produced at a fraction of these wage levels. The argument is made that to permit foreign products to come into this country under such conditions without attempting to make up for the costs of production in the competing countries is unfair to domestic producers and workers.

It should be remembered, however, that if injury does take place, or is even threatened, as a result of competitive wage or other factors, the act provides, and would continue to provide under H. R. 1, protection against such injury through the no-injury rule. This rule is applied in the peril-point and escape-clause procedures and the procedures for thorough interdepartmental consideration of tariff matters.

Competition from imports is based on many things in addition to wage differentials, such as natural resources, climate, special arts or skills, inventiveness or design in certain lines. These differences are the most important factors that bring foreign goods into our markets, with advantage to our own workers as consumers. They are also the factors which account for our own exports. Wage levels vary from country to country primarily because of differences in natural resources, capital equipment and productivity. It is generally a country's most highly productive industries which are its chief exporters. If we are labeling any one factor as the cause of competitive advantage, therefore, it might well turn out to be another factor than low wages.

Where a foreign industry's ability to export is based not on such advantages but on exploitation of labor through the payment of wages well below the accepted standards in the exporting country, there we have unfair competition. For this reason, the Randall Commission, after reviewing the matter carefully, recommended and the President has adopted the policy of granting no tariff concessions on products made by workers receiving wages which are substandard in the exporting country. As a member of the Interdepartmental Committee on Trade Agreements, the Department of Labor will continue to assist in advising the President of cases which fall within this standard.

Senator MILLIKIN. I don't understand the point of the Randall Commission report. The test shall be whether the wage rates are below standard in the exporting country?

Secretary MITCHELL. Yes, sir.

Senator MILLIKIN. The question is whether it is below the standard in this country.

Secretary MITCHELL. The question, sir, that the Randall Commission addressed itself to—

Senator MILLIKIN. Shouldn't it have addressed itself to the question whether the foreign costs are comparable to our costs?

Secretary MITCHELL. I don't think so, sir, because there are some factors other than wages in the production of goods, as I pointed out.

Senator MILLIKIN. How do we get a dependable test by measuring whether the particular industry abroad is scabbing on the general rate that industries abroad pay in other industries?

Secretary MITCHELL. We have such information generally, I believe.

Senator MILLIKIN. Even if we have it, why is it a good test for our protection?

Secretary MITCHELL. It is a good test so far as the standards of that country are concerned.

Senator MILLIKIN. What good does that do us when we consider the effect on the United States economy?

Secretary MITCHELL. I would believe that it is to our general interest to see that the standards throughout the world are raised to the fullest extent practicable.

Senator MILLIKIN. I agree with that. The mere fact that a rate in country X abroad does or does not deviate from the general rate of that country does not meet the ultimate question of the effect on the economy in this country.

Secretary MITCHELL. No, sir, I agree with you.

As I stated earlier, if injury is considered as a basic test to be used in determining the appropriate level of our tariff rates, as I believe it must be, the act already provides adequate safeguards. As you know, the act specifies certain procedures which must be followed before a tariff reduction is negotiated. The bill before you retains these specifications.

To carry out his duties and responsibilities in this area, the President has established certain detailed procedures by Executive order. This order, among other things, established two interdepartmental committees composed of representatives of certain named Federal departments and agencies with knowledge essential to a proper functioning of the program. The membership of these committees is identical, and the Department of Labor is represented on both committees.

During consideration of this bill in the House, the question was raised whether the President, in making determinations under the act, adequately takes into consideration the importance to our mobilization base of preserving the skills of the Nation's work force. I can state categorically, in view of my own responsibilities in this area, that consideration of this factor is one of the essential and normal elements in the proper administration of this program. It was, I feel sure, with a view to this very objective that the Congress which first wrote the Trade Agreements Act included a provision obligating the President to consult the Secretaries of the military departments and other Cabinet officers before concluding the trade agreements which the legislation authorized.

As a result of this provision, this matter is given thorough consideration both prior to tariff negotiations and afterwards in the escape-clause procedures. Each agency of the Government represented on the trade-agreements committee is in a position to evaluate the implications of proposed or possible tariff concessions before negotiations from the point of view of its own responsibilities to the mobilization base as well as from the competitive viewpoint. The Department of Labor's extensive knowledge of occupations and skills, together with information on past, current, and potential shortages, is of great help in enabling us to formulate sound judgment and proper advice to the President. The List of Critical Occupations, which is determined by the Secretary of Labor with the assistance of an interdepartmental committee and prepared primarily for draft deferment and mobilization planning purposes, is a valuable aid in this activity. The Department of Defense and other Government agencies represented on the trade-agreements committee perform a similar function in their fields of specialized knowledge.

The peril-point and escape-clause procedures also protect the preservation of essential skills. Where injury is threatened skills would be threatened. Moreover, the process by which the President seeks the advice of his Cabinet officers on escape-clause cases as well as in initial negotiation of trade agreements adds to the safeguards which surround the program, insofar as the protection of needed skills is concerned. The Tariff Commission is not equipped to evaluate either defense questions or skill questions. These evaluations must be furnished to the President by the agencies responsible for these phases of governmental activity. I deem it an important part of my responsibility in advising the President regarding such cases to point out the facts regarding skills and to give him the benefit of my judgment.

We all recognize, of course, that imports do create competitive problems for some of our industries. Although our overall employment situation has been improving and is now very good, there has been concern in some quarters whether the unemployment we do have is in some measure related to our tariff policies and actions. If there were such a relationship, I would not feel that, as Secretary of Labor, I could advocate a further reduction in tariffs, consistent with my responsibilities for promoting the welfare of American labor. I believe, as I stated during the course of my testimony before the House Committee on Ways and Means, that available evidence points to only a very small fraction of current unemployment as being traceable to the effects of imports. It is not likely that the moderate and gradual authority to reduce tariffs contained in H. R. 1 would cause any significant displacement of American workers.

In conclusion, I would like to say that I believe extension of the reciprocal trade-agreements authority as proposed in H. R. 1 is of concern and benefit not only to American workers and to American industries, but to the economic well-being of all of us. I therefore urge its extension.

Subsequent to my recent appearance before the House Committee on Ways and Means an interest was expressed in the Department of Labor's role in the trade-agreements program. I have here a statement briefly setting forth the procedures and the nature of the De-

partment's participation therein which I will be happy to submit for the record if the committee desires.

The CHAIRMAN. It will be inserted in the record, Mr. Secretary. Thank you very much.

Are there any further questions?

(The statement by Secretary Mitchell is as follows:)

SUPPLEMENTARY STATEMENT, BY SECRETARY OF LABOR JAMES P. MITCHELL ON THE RECIPROCAL TRADE AGREEMENTS PROGRAM—DEPARTMENT OF LABOR'S ROLE IN THE TARIFF PROGRAM

Executive Order 10082 sets forth procedures to be followed by certain named executive departments and agencies in the reciprocal trade agreements program. The Department of Labor is represented on the two interdepartmental committees established, the interdepartmental committee on trade agreements and the Committee for Reciprocity Information.

Under the procedures specified, the Labor Department's representative on the trade agreements committee participates in the formulation of the list of items which will be considered in tariff negotiations. This Department's representative carefully reviews the items that are considered by the Committee for listing. The positions taken by the Department's representative in interdepartmental consideration of the listing question receive my personal attention. When the list of commodities to be considered at the negotiations is approved by the President, notice of intention to negotiate, along with the complete list of commodities, must be issued publicly by the trade agreements committee as a basis for public hearings. The Department of Labor sends a copy of the notice of hearings and the complete commodity list, immediately upon its issuance, to the president and research director of each legitimate national and international trade union in the United States, a mailing of approximately 325 notices. This notice is also published in the Federal Register and given wide general distribution. I understand that other agencies take steps to keep other groups in the economy informed.

The hearings are held by the Committee for Reciprocity Information, of which the Department of Labor is a member. Any interested person is given a reasonable opportunity to present his views to this Committee.

As a result of the public notice, appearances have been made before the Committee for Reciprocity Information by large numbers of business and labor organizations. In addition, representatives of these organizations have occasionally asked for and been given opportunity to submit their views directly to officials of this Department.

The material submitted at the hearings is carefully reviewed within the Department of Labor together with data and technical information on employment, hours, and wages which are available in the Department and which can be gathered within the limits of available resources. The Department has and considers data on trends in employment and wages and economic conditions based upon its regular studies; data on the current labor market situation of key plants which produce commodities involved in the negotiations; information regarding skills needed for mobilization purposes in the industries involved; and information concerning the relation of the Department's minimum wage programs to the tariff questions under consideration.

On the basis of information available within the Department, together with information supplied by other departments and agencies through the Trade Agreements Committee—including the peril-point findings of the Tariff Commission—the Department's position in the prospective negotiations is determined. This matter also receives my personal attention. These positions are presented before the Trade Agreements Committee by the Department's representative on the committee. When any agency, including the Department of Labor, is not in agreement with the conclusion reached by the committee and formally dissents from its recommendations, that agency is required by Executive order to file a formal statement of its views with the President.

The escape-clause procedures are available to American industry and labor after a tariff concession has been granted. The Tariff Commission, of course, conducts the hearings and makes findings and recommendations to the President. At this point, the Federal departments and agencies which have played such an important role prior to the granting of the tariff concession again participate. Each agency is requested by the Bureau of the Budget to advise the

President from the viewpoint of its particular responsibilities and specialized knowledge with respect to the Tariff Commission's report and recommendations. This advice is submitted formally by the agencies in their appropriate and traditional role as advisers to the Chief Executive. The Department of Labor, in formulating its advice in these cases, is concerned to maintain the no-serious-injury rule as an effective policy, and gives thorough consideration and great weight to the Commission's views. Again the Department's positions in these cases receive my personal attention.

Senator BENNETT. Mr. Chairman, my attention is attracted, Mr. Secretary, to just one statement on the bottom of page 5, where you said—it is the next to the last sentence:

The Tariff Commission is not equipped to evaluate either defense questions or skill questions. These evaluations must be furnished to the President by the agencies responsible for these phases of governmental activity.

Section 334 of the Tariff Act of 1930 specifically requires that all agencies of the Government supply facts to the Tariff Commission, including if necessary officials and employees which must be detailed. I suppose it is fair to say that the Tariff Commission is not long equipped to handle defense questions. That field is so broad that you cannot focus it down to so small a point, but take the watch case, for instance. Don't you think it was possible, don't you think it was necessary for the Tariff Commission to handle and evaluate the skills question before its decision in that case?

Secretary MITCHELL. I think, Senator, that I should clarify that statement by saying that we do as a matter of course and procedure advise with the Tariff Commission and our people do, in questions relating to skills. And I do not mean to imply that the Tariff Commission does not have available the resources of the Department of Labor or any other department in making its determination.

Senator BENNETT. I am glad that you corrected that because the inference I drew from your statement was that the Tariff Commission could not get that material and you could only furnish it to the President.

Secretary MITCHELL. I would like to correct that. We do furnish it to the Tariff Commission.

Senator BENNETT. Thank you.

The CHAIRMAN. Are there any further questions?

Senator BARKLEY. Mr. Secretary, do you know, since it is a question of labor and unemployment and its competition, which has been brought into this discussion, do you know whether those who officially represent labor through any of their labor organizations have endorsed this bill.

Secretary MITCHELL. I know that the general policy, sir, of both the A. F. of L. and the CIO is in favor of reciprocal trade, and I believe the testimony before the House Ways and Means Committee will indicate that they do.

Senator BARKLEY. There may be witnesses who will come before this committee. I am not sure about that. I wanted your statement.

Senator MILLIKIN. I think it should be said that some of the labor unions within the whole labor movement—I am not talking about the A. F. of L. or CIO—

Secretary MITCHELL. There are some, Senator.

Senator MILLIKIN (continuing). Are opposed to it. There are some subsidiary unions of the A. F. of L. opposed to it, who do not

favor the extension of the act or who are opposed to some features of it.

Secretary MITCHELL. That is right, sir.

The CHAIRMAN. Are there any further questions?

Senator MALONE. Mr. Chairman, this question has been covered by the Senator from Utah, that the Tariff Commission is not equipped to consider problems of special skills. Do you understand that if this extension is not granted, that on any materials or any products where trade agreements have not already been made, the Tariff Commission would then have the responsibility of adjusting the tariffs on the basis of fair and reasonable competition by considering the differences in the labor costs, taxes, and other costs of doing business here and in the chief competitive nation and of recommending that difference as a tariff?

Secretary MITCHELL. Do I understand that if this bill is not—

Senator MALONE. Is not extended. If this bill is not passed and the 1934 Trade Agreements Act is not extended, the work of adjusting flexible duties or tariffs reverts to the Tariff Commission, an agent of Congress, except where trade agreements exist.

Secretary MITCHELL. I understand that is the situation.

Senator MALONE. Do you understand that there is no change in the trade agreements? They remain in full force and effect until and unless the President of the United States notifies the country with which such trade agreement has been made of cancellation, and then in 6 months that reverts to the Tariff Commission. Do you understand that?

Secretary MITCHELL. Yes.

Senator MALONE. You do understand that the 1930 Tariff law, while fixing duties on each particular product, maybe 5,000 products, realizes that there is a continuing and changing differential between the economy of this country and each of the nations where these products may be produced in competition with their own workingmen and investors, and therefore sets down a flexible method, a method upon which at their own motion or the request of either of the Houses of Congress or an interested party, the tariff can be immediately readjusted on the basis of that differential.

Secretary MITCHELL. I understand that is what the law is, sir.

Senator MALONE. As I understood your testimony, you do not believe in that method, and you think the Congress should extend the authority of the President of the United States, presumably to be administered by the Department of State, to determine what industries should be decreased in production in this country through increased imports of that product from the lower wage countries, and you think that that ought to be vested in 1 man, to determine whether the 1 industry should be endangered in this country or preserved?

Secretary MITCHELL. I favor and see no danger in the delegation given to the President of the United States under H. R. 1, with all the safeguards that are provided.

Senator MALONE. I think that clears the situation up. Then you do believe that the workingmen and the small investor in this Nation are not entitled to the protection afforded under section 336 of the tariff act.

Secretary MITCHELL. I said, sir, that I believe in answer to your other question that the delegation given to the President under this

bill was a proper one, which I am sure would be exercised with judgment in the interest of the welfare of all of the workers of the country.

Senator MALONE. Do you think it is in the interest of the workers or the country to displace their jobs, transfer their jobs to foreign soil through such a reduction as has been done definitely in some industries?

Mr. MITCHELL. Senator, as I pointed out in my prepared testimony, we have some estimated 4½ million people here who are employed in this country in the manufacture of goods for export and the handling of goods in imports, and I pointed out also that very little of the unemployment is traceable directly to tariffs.

Senator MALONE. I know you pointed that out, but I don't believe that.

Secretary MITCHELL. It seems to me, sir, that the interest of the entire country is being well served under the present act and will be well served under this expansion.

Senator MALONE. As I pointed out, many of us do not believe that it is being well served, and we do not believe that we are protecting the jobs in the country. For example, the glassware industry is badly hurt and one of the companies now, as I pointed out on the floor of the Senate, has brought a suit to determine the constitutionality of the act which, of course, will be determined by the courts. But as to the matter of the economic justification or any other justification and who should judge what industry should be preserved and what industry should be sacrificed, many of us believe that it should be done on the basis laid down in section 336 of the tariff act, which would be on the basis of fair and reasonable competition protecting the workingmen and the small investor of this Nation in their jobs and investments from the low-wage-nation competition. You don't believe that?

Secretary MITCHELL. I believe, sir, that the interest of the workingman is served by H. R. 1.

Senator MALONE. I think that is sufficient.

Senator MILLIKIN. Mr. Chairman, I would like to call attention to the fact that the Secretary has already given attestation of the fact that he is aware of that, that there is a standard in the present law of no injury.

Secretary MITCHELL. That is right.

Senator MILLIKIN. Which comes to the same thing as fair competition.

Senator MALONE. In the present law you mean, the present 1934 Trade Agreements Act?

Senator MILLIKIN. The present existing Trade Agreements Act and also in the proposed act.

Senator MALONE. Is that the peril point?

Senator MILLIKIN. Yes, sir.

Senator MALONE. I will point out again or ask you, Mr. Secretary, who is the final judge as to whether the peril point, as determined by the Tariff Commission, shall be adopted in such a trade agreement or not adopted.

Secretary MITCHELL. The President of the United States, as I understand.

Senator MALONE. And if he takes the peril point—and I am advised he very seldom does—in making the agreement, and the Trade Agreements Act is extended for 3 years and it is in effect, then for the 3-year period unless and until the President serves notice of cancellation on the country with which the trade agreement has been made, what is it that allows the Trade Agreements Act to be adjusted to meet any change in the currency evaluation in terms of dollars of the country with which the agreement is made or the defeat of the purpose of the act through exchange permits or import permits instituted by that country?

Secretary MITCHELL. As I understand it, sir, and as was indicated here this morning, this is a two-way street. The United States industry has the escape-clause procedure and we also have our remedy.

Senator MALONE. You can cancel it. It can be canceled. But is there an adjustment provided for in these trade agreements for any currency manipulations or any other manipulation on the part of the country with which the trade agreements have been made which has been compensated for?

Secretary MITCHELL. I am not aware of it.

Senator MILLIKIN. You could take it by the escape clause.

Secretary MITCHELL. That is what I said before.

Senator MALONE. The escape clause has been utilized five times in its whole history. Who is the final judge of whether the escape clause shall be utilized regardless of whether there is injury or not?

Secretary MITCHELL. The President of the United States, as I understand it.

Senator MALONE. Then you believe it is a good thing to put in the hands of one man the final judgment as to whether or not an industry is to be preserved in this country, or the jobs attendant to that industry ought to be preserved, or whether or not there should be a transfer of the jobs. You think it is well to have that in the hands of one man?

Secretary MITCHELL. Senator, as I indicated before, I believe with the safeguards surrounding the President's authority and responsibility in this law, with the procedures of the no-injury provision and the escape clause, that the authority of the President of the United States in this area is well delegated by Congress, and I do not think that there is any danger to the country in having him make that decision.

Senator MALONE. And you do not believe that section 336 that establishes a principle upon which duties or tariffs should be adjusted, which would take into account the differences in the labor standard of wages, taxes, costs of doing business here and in the competitive country, should prevail?

Secretary MITCHELL. I believe that the principles expressed in H. R. 1, which is one of no injury to the United States producer, is of great significance.

Senator MALONE. What would you call an injury? When unemployment is rampant right now in several industries, would you call that an injury or would you just call it foreign competition of low-wage labor, or a proper procedure?

Secretary MITCHELL. I think, sir, one has to take each of these cases on a case-by-case basis, and determine what all the factors are that enter into it. That is the purpose of the no-injury procedure in the Tariff Commission hearings and these other safeguards.

Senator MALONE. What are these other factors besides the difference of cost of production to protect the jobs and protect the investments of the small investors of the Nation?

Secretary MITCHELL. I don't know. There may be factors such as the productivity of a particular plant or particular industry in competition with other United States industries.

Senator MALONE. We are not talking about competition in the United States. Naturally, no one objects to being put out of business by a competitor paying practically the same wages and taxes and cost of doing business. We are talking about low-wage foreign labor.

Secretary MITCHELL. There are, sir, wage differentials within the United States, as you realize.

Senator MALONE. But that is not the question.

Secretary MITCHELL. I thought you asked me what other factors there might be in the unemployment situation.

Senator MALONE. I am talking about trade agreements.

Secretary MITCHELL. I am sorry.

Senator MALONE. That is the question you are here on today.

Secretary MITCHELL. It seems to me that, as I stated in my statement, there are factors in other countries, such as productivity, such as resources, such as skill, which all have an effect on the product of that country, in addition to the question of wages.

Senator MALONE. They certainly do. I have heard it indicated here that much of the foreign labor is not efficient. Of course, that is true probably in some areas of the world. Nobody has ever said that a Japanese skilled worker was not efficient, have they?

Secretary MITCHELL. I have heard no opinion either way on that, sir.

Senator MALONE. I have heard a lot of opinion that they are just as good as anyone when they are given the same opportunity. Has anyone ever said that an English worker or a Scotch worker or an Irish worker is not equipped to do the work that an American worker is, if he has the same machinery and the same advantage in training?

Secretary MITCHELL. I don't know. I suppose some people have said so, sir.

Senator MALONE. Some may have. I have never heard that. I have never heard them go that far.

So when our taxpayers even pay for the machinery and the foreign industrial plants, and then our own companies, large enough to be able to invest on foreign soil and ship the stuff back in here under this free trade or reduced tariffs, establish plants, and supervise the low-wage labor with American foremen and superintendents, do you think that policy set down in section 336 of the 1930 tariff law should not prevail?

Secretary MITCHELL. As I gather, sir, much of the export of the American ingenuity, machinery, and managerial talent is used not for the manufacture of exports to the United States but for the manufacture of products to be sold within the countries outside the United States.

Senator MALONE. Have you studied this question?

Secretary MITCHELL. I beg your pardon, sir?

Senator MALONE. As a Labor Commissioner, Cabinet member, have you studied this question?

Secretary MITCHELL. What question are you referring to?

Senator MALONE. You just made a statement on it.

Secretary MITCHELL. Yes. It is my belief that that is so.

Senator MALONE. For your information, there are quite a few investors in foreign countries, like the copper companies and other large companies. Mr. Ford has 26 plants outside of the country. He is shipping his product back here in increasing amounts each year. I could give you quite a list of foreign investors who are doing the same thing.

In Germany and Japan, they have practically dominated the crockery market. I guess you know that. Many of our domestic plants are shut down. Most of them are extremely curtailed in Ohio, and so on.

Secretary MITCHELL. There are certain manufacturers that have been injured, yes. I think, Senator, that I must say, to reiterate the point I have been trying to make, that I think such a procedure as that before you, H. R. 1, has to be looked at in terms of the overall interest, from my point of view, of the working people of the United States, and when you look at the degree, high degree, of employment that exists nationally, as it does now, and when you look at the numbers, millions of people who are employed in the manufacture of goods for export, it is self-evident to me that reciprocal trade, as it has been carried on, and as is proposed under this bill, is healthy and good for the workingman of this country.

Senator MALONE. Does this bill mention reciprocal trade?

Secretary MITCHELL. No, sir.

Senator MALONE. Where did you get the connotation or the name of it?

Secretary MITCHELL. I believe the whole intent is there.

Senator MALONE. Does it indicate so in any place?

Secretary MITCHELL. I would like to look at the specific bill, and I think you will find that there is an indication.

Senator MALONE. Does the phrase "reciprocal trade" occur there?

Secretary MITCHELL. I believe it says tariffs may be reduced in return for concessions from other countries, which is the essence of reciprocal trade.

Senator MALONE. Do you believe we get those concessions? Have you studied that part of it?

Secretary MITCHELL. I would say to you that when you look at our high level of employment, again which has occurred in these years when we have had reciprocal trade, it has been to the advantage of the workingman.

Senator MALONE. Do you include the national-defense production that we are sending over there, without any return at all, and the monetary grants-in-aid, and the material and equipment that we ship abroad, paid by the taxpayers here?

Secretary MITCHELL. Include in what, sir?

Senator MALONE. Read that question.

(Question read.)

Secretary MITCHELL. I didn't understand "include." In what, sir?

Senator MALONE. Included in your estimate of the jobs.

Secretary MITCHELL. Four and a third million? Oh, I see. If you excluded them. I will be very glad to furnish you figures, but

our rough estimate is if you excluded them, it would be about a million less.

Senator MALONE. I should say that there would be at least a million less, and maybe a considerable number more than that. But it remains that you do believe that the responsibility of Congress under the Constitution of the United States to set these duties or tariffs and to regulate foreign commerce or trade in the interest of what you describe to be the whole world, of all of the workers, should be taken away from the agent of the Congress, the Tariff Commission, and lodged in the executive department where one man is to be the judge as to whether or not an industry shall be expanded or decreased or even decreased as the case may be?

Secretary MITCHELL. I believe, sir, if I may repeat, that the interest of the workers of the United States are best preserved by H. R. 1.

Senator MALONE. And H. R. 1 does provide that the President of the United States is the sole judge as to when a duty is reduced and imports increased as a consequence, that he is the sole judge as to whether any relief is given to any industry or not, you understand that, sir?

Secretary MITCHELL. With the safeguards that are in the bill.

Senator MALONE. Let's review the safeguards again.

Is not the President the sole judge as to whether the safeguards are invoked or not?

Secretary MITCHELL. Yes, he is the sole judge.

Senator MILLIKIN. I want to reiterate that if the President goes below the peril point, he must make a report to the Congress so the Congress may take action if it thinks his reason is insufficient, and any time the President makes what we think is an insufficient reason for not providing the peril test, Congress has its own jurisdiction. In fact, there is never a moment when it doesn't have jurisdiction over the whole subject.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. If not, the meeting is recessed until 10 o'clock tomorrow morning.

(Whereupon, at 2:25 p. m., the committee recessed, to reconvene at 10 a. m., Friday, March 4, 1955.)

TRADE AGREEMENTS EXTENSION

FRIDAY, MARCH 4, 1955

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding. Present: Senators Byrd, George, Frear, Barkley, Millikin, Williams, Malone, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order.

The first witness this morning is Mr. James B. Carey, secretary-treasurer, Congress of Industrial Organization.

Mr. Carey.

STATEMENT OF JAMES B. CAREY, SECRETARY-TREASURER, CONGRESS OF INDUSTRIAL ORGANIZATIONS, AND PRESIDENT, INTERNATIONAL UNION OF ELECTRICAL RADIO MACHINE WORKERS, CIO

Mr. CAREY. Mr. Chairman and members of the committee, I am James B. Carey, secretary-treasurer of the Congress of Industrial Organizations, and president of the International Union of Electrical, Radio, and Machine Workers, CIO.

I appear here today on behalf of the Congress of Industrial Organizations in support of H. R. 1, the Trade Agreements Extension Act of 1955, as passed by the House of Representatives.

The CIO is proud of its long, historical record of support for liberalization of American trade policies through the reciprocal trade programs. For more than 10 years, witnesses representing the CIO have appeared before congressional committees to urge continuation, to urge extension, to urge support for a liberalized trade program. I personally appeared on behalf of CIO in 1945, 1947, again in 1948 and 1949, and, most recently, in January of this year before the Ways and Means Committee.

Since I developed our reasons for supporting H. R. 1 when I testified before the House Ways and Means Committee on January 24, 1955, I shall not discuss them in detail today before this committee. But let me present, in summary form, some of the major reasons we have given for supporting a more liberalized trade policy within the framework of our reciprocal trade agreements program:

1. Raw material imports are essential to keep many of our basic industries in operation.

2. Important food commodities must be imported, such as cocoa, bananas, tea, and so forth.

3. Many American industries export a substantial proportion of their production.

4. Trade is a two-way street.

5. Countries abroad must earn dollars in order to buy the products of our American industries.

6. Trade opportunities must be opened if living standards and economic conditions of many countries throughout the world are to be improved.

7. Improved economic conditions are a means of stopping communism, as well as potential military aggression.

It is for these reasons, which were developed in detail in our testimony before the Ways and Means Committee on January 24, 1955, that we urge support for H. R. 1.

At the CIO convention in December 1954, we supported once again extension of the reciprocal trade program. The following is the pertinent quote from the resolution :

The isolationist high tariff bloc * * * has prevented * * * putting into effect a realistic trade program for the United States * * * that * * * shall not be destructive of basic American industries. Such a program, designed to bolster the economy and strengthen the purchasing power at home and abroad, is urgently required.

In another resolution, dealing also with international trade, our convention said :

We support extension and liberalization of international trade programs; adoption of legislation designed to ameliorate any harm resulting to affected workers, areas, industries. Such tariff reductions shall not be destructive of basic American industries.

It is because we do not want to see any basic American industries destroyed that we have continually said to this committee and to the Ways and Means Committee of the House of Representatives that the escape clause provision and the peril point provision of the reciprocal trade program must be continued in their present form.

In addition, we have always felt that the procedure before the Committee on Reciprocity Information affords an opportunity to American industries threatened with serious injury resulting from imports to present their case. The public hearings held by the Committee on Reciprocity Information are designed to determine which items are to be considered when we negotiate with our allied trading nations. With the retention of these provisions in the present law, H. R. 1 has our wholehearted support, and we urge this committee to report the bill favorably, so that the Senate may take prompt action.

ADJUSTMENT PROGRAM

We suggest that this committee give serious consideration to a companion bill designed to provide aid and assistance to workers, industrial enterprises, and communities affected by increased imports.

In the CIO convention resolution, from which I have already quoted, we also said :

* * * there must be a clear understanding of our national responsibility to protect workers of any industry that may be hurt by * * * an * * * increased trade program adopted in the national interest * * * particularly in these times

of widespread unemployment * * * (A program must include) (1) Government aid in helping convert industrial plants to other production; (2) aid in retraining workers; (3) special unemployment insurance during conversion periods; and (4) special handling of older workers near retirement age. These recommendations incorporated into legislation and introduced into the 83d Congress by Senator Kennedy and Representatives Williams and Eberharter have the wholehearted support of the CIO.

In this session of Congress, Senator Humphrey (Democrat, Minnesota), on behalf of himself and Senator Kennedy (Democrat, Massachusetts), introduced S. 751, and, in the House of Representatives, Congressmen Eberharter, (Democrat, Pennsylvania), Harrison Williams (Democrat, New Jersey), and Donohue (Democrat, Massachusetts) have introduced bills dealing with the same problem of assistance and adjustment.

This committee and the Congress of the United States must face up to the basic and fundamental problem of the changing employment patterns in the United States resulting from increased world trade. There is no denying that some injury may occur in the United States as the result of import policies.

However, it is not our position that because injury may exist that international trade should be cut off. This is not the position of CIO, and it should not be the position of the Congress or the administration. On the other hand, we cannot be blind to the fact that, as a result of the continued reciprocal trade program, injury may occur, in certain instances, as the result of imports into the United States.

It is because of our interest both in maintaining international trade and avoiding serious injury to American industries that we urge the adoption of the bill introduced by Senators Humphrey and Kennedy, designed to assist workers, industrial enterprises, and communities to adjust to imports. Inserted as an appendix to my testimony is a summary of the major provisions of the Trade Adjustment Act of 1955.

I should like to point out, however, that there are no direct subsidies involved in this bill. It is not proposed that the Government subsidize American industries or American workers or American communities as the result of injury from tariff policy. It is proposed that the Government assume some responsibilities to help workers, industrial enterprises, and communities to adjust to the problems created by increased imports.

The bill, S. 751, and its companion measure H. R. 2386, are designed to accomplish this purpose. The theory behind it is that if by Government decision tariffs are reduced and the reduction causes or threatens to cause serious injury, then it should be by Government decision and action that some aid, assistance, and adjustments are offered.

The United States Tariff Commission would be required to continue to make its findings under the terms of the escape clause. Upon application from industry, the Tariff Commission proceeds to hold hearings to determine the extent of injury before invoking the escape clause. Once the Commission finds injury or the threat of injury, it recommends to the President that the tariff be increased.

Under the present law, the President can decide either to accept the Tariff Commission's findings of injury and thereby impose the recommendation, which would be an increase in duty, or to reject the findings completely.

Under the Trade Adjustment Act of 1955, the President would be given one additional route to follow. He could accept the Tariff Commission's findings of injury, but instead of imposing an increase in duty, he could recommend that provisions, summarized in the appendix of this testimony, of the Trade Adjustment Act of 1955, take effect.

The United States will be able to maintain its liberalized trade program only so long as the United States is prepared to deal effectively with the problems created by imports which tend to solidify the protectionist position against a liberalized trade program in America. The United States will be able to preserve and extend its reciprocal trade program only if it is prepared to face the realities of the situation.

For these reasons, we lay major emphasis on the necessity of adopting the Trade Adjustment Act of 1955 as a companion measure to H. R. 1. By combining the provisions of this bill along with the existing provisions of the reciprocal trade program—the escape clause, the peril point, and the Committee on Reciprocity Information Procedures, we will be able to continue the program originally enunciated by Cordell Hull, which successive Congresses have continued to support over the years.

The Congress of Industrial Organizations is happy to be recorded as one of the consistent supporters of this program. We hope that this Congress will continue our reciprocal trade agreement program with additional supporting legislation, so that opposition to liberalized trade can be diminished through alleviating the root causes of the opposition.

In order to make continual strides forward in our trade program, we must try to resolve the pressing problems of injury to American workers, industrial enterprises, and communities. If we do not find solutions to these problems, in my judgment, the United States is bound to move backward in the field of international trade. The United States cannot afford to drop back; it must move forward. In our opinion, to move forward in the field of international trade, the Congress should enact the Trade Adjustment Act of 1955, as introduced by Senators Humphrey and Kennedy, along with H. R. 1.

We therefore urge the committee to report out favorably to the Senate both H. R. 1 and, as a companion measure, S. 751.

The CHAIRMAN. Do you wish a summary of provisions of the Trade Adjustment Act of 1955 inserted in the record?

Mr. CAREY. Yes, sir, I would like that inserted in the record.

The CHAIRMAN. That will be done.

(The document referred to follows:)

APPENDIX A

SUMMARY OF PROVISIONS OF THE TRADE ADJUSTMENT ACT OF 1955

These provisions recommend specific action for workers, industrial enterprises, and communities.

For workers, it recommends the following:

1. Supplementary unemployment compensation benefits up to two-thirds of weekly earnings for 52 weeks.
2. Earlier (aged 60) retirement for recipients of old-age pensions under our social-security law.
3. Retraining for new job opportunities.

4. If necessary, transportation for entire families to new areas of employment. For industrial enterprises, it recommends the following:

1. Loans through the Small Business Administration for the adjustment of such business enterprises and communities to economic conditions resulting from the trade policies of the United States.

2. Appropriate departments and agencies of Government will supply "technical information, market research, or any other form of information and advice which might be of assistance in the development of more efficient methods of production and the development of new lines of production."

3. Accelerated amortization would be permitted business, industrial enterprises, necessary for the " * * * development of new or different lines of production by an eligible business enterprise or a more balanced economy in an eligible community."

Communities or industrial development corporations within the communities may apply for the following provisions of the act:

1. Loans are available to communities and industrial development corporations on the same basis as their availability to business enterprises.

2. Technical information, market research, and any other form of information and advice are available to the community on the same basis as to industrial enterprises, as long as such information is designed to develop a more balanced and diversified economy in the community.

In order for any workers, industrial enterprises, or communities to benefit from the provisions of this act, they must receive a certificate of eligibility from the Trade Adjustment Board. The Board is to be appointed by the President and composed of five members from among the officers and employees of the executive branch of the Government. The Board determines eligibility and issues certificates on the basis of the United States Tariff Commission's report to the President.

The Board is authorized to hold whatever hearings are necessary to make such determinations.

The CHAIRMAN. Any questions of Mr. Carey?

Thank you very much, Mr. Carey, for your presentation.

The next witness is Mrs. Louella M. Berg, American Association of University Women.

(No response.)

(The following letter was subsequently received for the record:)

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D. C., March 4, 1955.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: The American Association of University Women is grateful for the opportunity to submit this letter in support of H. R. 1, which would extend the Reciprocal Trade Agreements Act for 3 years and give the President greater authority to lower tariffs over a 3-year period. The association has supported the Reciprocal Trade Agreements Act from its introduction in 1934 and has recorded its support on the successive occasions when that measure has been before Congress for extension.

On January 21, 1955, Dr. Alzada Comstock, professor emeritus of economics, Mount Holyoke College, representing the AAUW, appeared before the House Committee on Ways and Means to testify in support of H. R. 1. We hope that the Senate Finance Committee will review the testimony of Dr. Comstock which sets forth fully the position of the association with supporting reasons. I would like to attract to your attention, particularly, one paragraph from Dr. Comstock's testimony:

"The arguments in support of the Reciprocal Trade Agreements Act have become increasingly urgent. There are two compelling reasons for a 3-year extension of the act at this time. First, our own need of friends—friends who trust our powers of economic analysis and believe in our sincerity when we assure them that the free world's way of life can bring them well-being. And second, the need of foreign countries to buttress their economies by improved access to American markets without fear of sudden and far-reaching reversals of tariff policy."

The AAUW, an organization of women college graduates which has a membership of more than 131,000 women in the 48 States, Hawaii, Guam, and Alaska, respectfully urges this committee to report favorably H. R. 1 without crippling amendments.

Sincerely yours,

LOUELLA MILLER BERG,
Legislative Associate, AAUW.

The CHAIRMAN. The next witness is Mr. Morris S. Rosenthal, National Council of American Importers, Inc.

Mr. Rosenthal.

STATEMENT OF MORRIS S. ROSENTHAL, SENIOR COUNCILOR AND CHAIRMAN, RESEARCH AND PLANNING COMMITTEE, NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.

MR. ROSENTHAL. Mr. Chairman and other members of the committee, my name is Morris S. Rosenthal. I am a senior councilor of the National Council of American Importers, Inc.

From our observation of much of the testimony on H. R. 1 before the House Committee on Ways and Means, there still needs to be resolved the basic problem as to whether or not the United States should attempt to manufacture, mine, and grow everything that it consumes within the limits of available natural resources and manufacturing facilities in our own country. Is this concept best for our overall national economic welfare? Is this needed for national security and defense? Is there an inherent right to tariff protection or should not protection be based on the overall national interest?

In our judgment, it is not in the national interest to adopt a policy of full protection to all companies, to all industries, and to all segments of agriculture regardless of considerations of national prosperity and progress.

The tariff is in the nature of an indirect subsidy, and we believe that such a subsidy, as in the case of all other subsidies, should be used wisely and only to the extent needed according to changing conditions.

In the determination of what tariffs should be, the first consideration is the impact of both exports and imports on gross investment in American industry and agriculture and on the total number of people employed in factories, in offices, in mines, and on the farms. Industries that could export more if we import more are surely entitled to equal consideration in relationship to their function in growth of capital, investment, and employment.

Considerations of national defense should mean just that, and not be stretched to cover everything to which they might possibly apply, or to related situations beyond proper limits. Furthermore, we need constantly to bear in mind the effect of American foreign economic policy on our political and military relations with other countries. We cannot hope for the political friendships and military alliances, which we are urging upon others, unless we cooperate with them in the economic field as well.

With these assumptions as our basic premise, we would like to discuss certain specifics of H. R. 1 and to make suggestions for certain changes which we think will be constructive.

The Trade Agreements Act properly delegates certain powers to the President to enable him to act wisely, both for our economic welfare at home and for sound international relations. Its opponents

have frequently alleged that the act is unconstitutional, but we doubt if there is any serious or well-founded allegation in this regard. Assuredly experience over the years has indicated that the Congress cannot well deal with all of the details of American political and economic needs in all fields, and that, therefore, the Congress needs in the first instance to establish policy, next to establish procedures so that the Executive can function efficiently, and thirdly to follow up on administrative action through the appropriate committees of both Houses.

As a mechanism, the Trade Agreements Act has, on the whole, functioned well during the past 20 years. As an efficient mechanism, the new act needs to be so written as to enable the Executive to carry out his responsibilities without being hamstrung.

We would also emphasize once more that the Trade Agreements Act does not compel and does not contemplate an indiscriminate lowering of all tariffs. The reductions that have been made have come only after intensive study by the administrative agencies concerned, and through subsequent negotiations with other countries for reciprocal concessions. And even the deep cuts in some 1930 rates have not been proven harmful to our great economic growth and progress over the past 20 years.

In regard to H. R. 1, we propose the following specific changes:

1. We think that the act should be extended for a period of 4 or 6 years, so that its consideration for extension or modification by the Congress, and by the public, does not come during the heat of political campaigns, with the very natural distortions common to such times.
2. We believe that the President should be given authority to lower rates by 25 percent instead of 15 percent, and that the President should further be permitted to make that reduction at one time or over the period of the act in installments according to his discretion. Five percent a year for 3 years is surely inadequate bargaining power to accomplish the purpose of reducing foreign barriers to our exports.
3. We recommend elimination of the peril point provision as now drawn. In our judgment, the several agencies that comprise the two interdepartmental committees all think in terms of points beyond which rates cannot be safely reduced. This should not be a function solely of the Tariff Commission, but should be the responsibility of the interdepartmental committees.
4. We believe that the escape clause as now drawn is harmful and frustrates the purposes of the act. It should be written with its principal criteria based on the overall national interest and economic welfare, and the needs of defense. The authority under which a concession may be modified or withdrawn should be strictly limited to these situations, and the period of time during which such modification or withdrawal should remain in effect should also be definitely fixed. Resort to the escape clause should be confined to actual emergency cases in which a domestic industry, entitled to added protection because of previously unforeseen situations, is confronted with the actual necessity of making too rapid adjustments to avoid serious loss of capital and a sharp increase in unemployment. If an escape clause is invoked for such specific reason, action should be limited to a tariff increase no greater than the original tariff rate, without the use of any new form of restriction, such as quotas. Also the increase in rate should be made

effective for a specific period of time that would be adequate to permit domestic capital and labor to make the necessary adjustments to the competitive situation.

5. A domestic industry that asks for an investigation under a newly drawn escape clause provision, should be required to establish a prima facie case of a new and different competitive situation involving a clear showing of threatened injury before the Commission is compelled or even authorized to make a second, third, or fourth investigation involving the same commodity. Importers should also be permitted to ask for investigations by the Tariff Commission upon their allegation and submission of a prima facie case that a specific tariff rate is excessive or constitutes an unwarranted barrier to trade.

6. We recommend restoration of section 5 of the original bill that authorized the President to reduce rates by 50 percent on products imported in negligible quantity or not at all, without obtaining reciprocal concessions. This section was deleted by the Committee on Ways and Means. We also advocate authorizing the President on a unilateral basis to reduce existing rates by 50 percent on imported commodities which are not normally produced at all in the United States or are only normally produced in this country in negligible quantities. Assuredly, the American consumer is entitled to some consideration.

Furthermore, the consumer buying of such products at lower prices would enable a spread of purchasing power which would benefit other domestic industries in enabling them to have wider markets.

7. We suggest that the Congress by legislative action stabilize the present structure of tariff rates at the July 1, 1955, level, so that those rates would become the new permanent legal basis on which further reductions could be made, or on which increases could also be made, within the limits provided in the act, and in section 336 of the Tariff Act of 1930. We believe that such action would give a marked degree of assurance to American business and producers abroad in the stability of our tariff policy which is much needed by all.

8. We suggest that section 2 (b) of the act be amended to provide that new trade agreements be negotiated for an initial term of 5 years, with the current 6 months termination feature thereafter. This, too, would provide a greater degree of assurance that concessions will not be withdrawn in a relatively short time, unless conditions prescribed in the escape clause warrant such action.

No single piece of legislation and no single element of international policy can by itself solve the economic ills of the world or pave the way for peace. American international policy may be said to comprise three elements—our political relations, our military alliances, and our economic relations. American foreign economic policy may be said to consist of three elements—trade, investment, and aid.

In all of these we need sound policy directives with ample powers to the Executive for their implementation. Together they will help us in our quest for a peaceful solution of the many difficult and complex problems that confront us in our international relations.

The Trade Agreements Act is but a single factor in the entire situation. But we believe it to be an important one, and we are hopeful that the Congress will adopt a sound and workable act to enable the United States to cooperate with other countries in the lowering of barriers to the exchange of goods among all peoples. This will help increase the production of goods, their flow, and an increase in their

consumption, which in turn will help the standard of living of our citizens as well as all other peoples of the free world.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Senator MILLIKIN. Mr. Chairman, I would like to ask the gentleman under what circumstances would we be warranted in going below the peril point in making trade agreements.

Mr. ROSENTHAL. I think we might be warranted in going below the peril point in making our agreements if in the judgment of the executive branch of Government such concessions were necessary for broader considerations of political and military relations. Under those circumstances, it might be wise for us to make those specific concessions.

Senator MILLIKIN. Where it was tied up with the national security?

Mr. ROSENTHAL. Yes, sir; in the broadest sense.

Senator MILLIKIN. I don't know what you mean "in the broadest sense." Everything has something to do with security. Can you put some limitations on your suggestion?

Mr. ROSENTHAL. No. I think in regard to our national security, taking into account what we think we need to accomplish in different areas of the world both for those nations already committed to us, as well as for the nations that are more or less neutral and uncommitted, yet which we would still wish to draw within our democratic orbit, I think that considerations might warrant going below the peril point.

Senator MILLIKIN. Would it be for action having direct influence on the national security or someone's opinion that this would be good for the national security?

Mr. ROSENTHAL. I think that is to be predicated on someone's opinion of what is good.

Senator MILLIKIN. Whose opinion should that be?

Mr. ROSENTHAL. I think that should be left to the executive branch of Government.

Senator MILLIKIN. Don't you think Congress should have anything to do with it?

Mr. ROSENTHAL. I think Congress might well delegate those powers to the executive branch because I think the combined group of agencies concerned with that need to have that authority from the Congress so that they can act.

Senator MILLIKIN. I think you will agree, will you not, just left on a broad, general ground of national security, unless that was in some way limited to anyone having the judgment, he could say, "Oh, well, I consider it to be in the interest of national security and therefore I will violate the peril point."

Mr. ROSENTHAL. But I think, Senator, that if you take the combination of agencies that comprise the two committees, and not necessarily those that sit on the committees, but the heads of Cabinet posts, that you have a sufficiently broad group, and also those who are members of the National Security Council, who do not serve as Cabinet officers, I think you have a broad enough group to whom the Congress can entrust those powers.

Senator MILLIKIN. But there is no restraint against action that is simply for free trade and assigns to it the reason that it is for national security. Those who believe in free trade believe that free trade helps the national security.

Mr. ROSENTHAL. I am inclined to think that that would be stretching it further than intellectual honesty would compel.

Senator MILLIKIN. I don't want to use adjectives about intellectual honesty. Assuming that it is very honest and a man believes that free trade helps the national security, he would be entitled to violate the peril point.

Mr. ROSENTHAL. Yes, if he honestly believed that, he would be. It is difficult for me to conceive that a combination of high officials of the executive branch of Government would all feel that way.

Senator MILLIKIN. They wouldn't have to all feel that way. Whatever advice the President chose to take, he would take, whatever feelings he had within himself, he would reflect. I am not talking about any particular President or any particular trade committee.

There has been complaint about the present escape clause because it does not sufficiently shore up protection against the very things I am talking about.

Mr. ROSENTHAL. I think these things have to be left to some people's judgment and some of my observations over the years, I think—this is generally just a matter of opinion—that the combined departments of the executive, taken together in consideration of these problems, would think in all terms of genuine national security and also of adequate protection for American industry and agriculture.

Senator MILLIKIN. Would you say that the President would be compelled to accept the recommendation of all of these agencies you referred to, or of part of them, or of those he thought were wise and those he thought were unwise? How would you do that?

Mr. ROSENTHAL. I think the President would have to accept what he thought was wise.

Senator MILLIKIN. Then it comes down to a question of the economic theories of the President, does it not?

Mr. ROSENTHAL. Ultimately, it would, but I would again think, as we work in our processes, that the President is influenced by the experts in different departments and the expression of their opinion.

Senator MILLIKIN. I would think he would be, but he need not be. The President could reflect his own opinions. I say if he were a free trader by philosophy, he could say free trade is what we need to secure the best security interest of this country.

Mr. ROSENTHAL. Yes, sir; that is possible.

Senator MILLIKIN. You would exclude Congress from any ultimate review of that subject?

Mr. ROSENTHAL. Within the limits of the 3-year period, I think I would entrust that to the Executive, and Congress can make the changes in the act it desires. In fact, it can change an act in a lesser period of time.

Senator MILLIKIN. Wouldn't you think that the Congress, if it did not like the President's decision, should have the right to impose its own judgment? The Constitution, you know, gives the Congress the authority to—

Mr. ROSENTHAL. I think the Congress would have. I think that would be possible for the Congress in passing supplementary legislation. In the first instance, I think it is wise to delegate broad powers to the Executive in a good many fields in our complex situation.

Senator MILLIKIN. I don't think anyone can quarrel with the generality, but when it comes down to how some particular industry is affected, that is not susceptible to treatment by generality.

Mr. ROSENTHAL. No, sir.

Senator MILLIKIN. And so, if the Congress would not like the viewpoint of the President, whoever he might be, it would be at liberty to reverse it.

Mr. ROSENTHAL. Yes, but I would personally think it more advisable to delegate powers to the President in the first instance, with the possibility of subsequent reversal by the Congress, than to tighten the powers of the President and his executive branch to a point that I don't think gives them enough latitude.

Senator MILLIKIN. I didn't hear the last statement.

Mr. ROSENTHAL. I would prefer to see the Congress delegate broad powers to the President in the first instance, and afterward have the right of reversal in the event that the Congress feels the Executive has exceeded his authority or has shown unwise judgment, rather than to have the Congress in the first instance limit the Executive to a point where I, at least, don't think he can function efficiently.

Senator MILLIKIN. May I suggest to you that the Congress has no right to delegate powers. That is something it cannot delegate. It has a right to delegate standards and the operation of standards.

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. And assuming that the standards are adequate, I think that is a right to delegate the administrative features connected with the operation of standards and what the Congress considers to be proper standards.

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. You don't favor giving the President unlimited power in the subject?

Mr. ROSENTHAL. No, sir.

Senator MILLIKIN. Congress must always retain the right to disagree with him.

Mr. ROSENTHAL. Yes, sir, definitely.

Senator MILLIKIN. And if the escape clause were tightened up, so as to preserve the right of the President to see that the security interest of the country might be—I am talking about the security, I am not talking about general economic philosophy, I am talking about security interest—if the escape clause were tightened up sufficiently so that the President's action would have to properly be within those limits, would there be any objection to that?

Mr. ROSENTHAL. No, sir.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Are there any further questions?

Senator BENNETT. Mr. Chairman, I would like to ask one question.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. If the record of the last 20 years had been that the Executive was devoted to increasing the tariff rates rather than decreasing them, would your testimony still be the same?

Mr. ROSENTHAL. It would be dependent on the economic conditions which, in my judgment, in testifying, warranted that.

Senator BENNETT. The point I want to get at: You sincerely believe that this problem should be entrusted to the Executive, regardless of

the decisions of the Executive, or are you here testifying to that effect because you believe, based on the record of the last 20 years, that the Executive has established a trend indicating that it would continue to lower tariffs rather than to raise them.

Mr. ROSENTHAL. It is because I firmly believe that authority with standards prescribed—my standards go further than H. R. 1—should be entrusted to the Executive. I might disagree with the way the Executive exercised his authority under the act, which would be something else, but as far as operations go, there I believe that the authority should be given to the Executive along the lines that I have said, regardless of whether what the Executive does afterward would agree with my views in individual cases or not.

Senator BENNETT. Would you carry that principle to fields outside the question of foreign relations? Do you believe we should increase the power of the Executive generally? In other words, is it your feeling that we should move toward one-man Government in this country and diminish the power of Congress?

Mr. ROSENTHAL. No, sir; I don't think that is the same thing at all, Senator. I believe, and I would be reluctant to go into other situations at the moment because I cannot think of them, but I believe with the complexities of government, it is wise for Congress to delegate as much administrative authority within standards, as Senator Millikin has said, to the executive, so that the executive can function well. I am not fearful of one-man government. The Congress can at any time pass subsequent legislation, changing what the President has done, limiting the powers of the executive. Congress through its committees can keep in constant contact with the various branches of the executive. But I think, as in the management of a corporation or trade union or any large organization, it is necessary for the directors—in this case the legislative body—to formulate policy, to prescribe certain standards for the execution of that policy, and entrust the execution of the policy to the management. In this case, I think the management is the executive branch of Government. With the powers of Congress, with the meetings going on so regularly, with the committee activities, I am not fearful of one-man government. The extent to which the authority should be delegated to the President to act within prescribed standards would vary in each situation. But as a matter of philosophy I am not fearful of one-man government if the President is given adequate powers to operate within standards prescribed by the Congress.

Senator BENNETT. That is all, Mr. Chairman.

The CHAIRMAN. Are there any further questions?

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. Do you in all cases believe that the peril point, either by way of starting negotiations or by way of an escape clause, should be observed?

Mr. ROSENTHAL. Yes, sir.

Senator MILLIKIN. In all cases?

Mr. ROSENTHAL. Yes, sir. As we have these two interdepartmental committees, the Committee on Reciprocity Information and the Committee on Trade Agreements, it would be my preference administratively to have the peril-point procedures made the responsibility

of all the agencies of Government represented in those two committees, instead of solely that of the Tariff Commission, without in any way deprecating the work of the Tariff Commission or minimizing my respect for the members of the Commission and their staff.

Senator MILLIKIN. Of course, we set up the Tariff Commission to be a fact-finding body, and they have the advice of all the agencies of Government.

Mr. ROSENTHAL. Yes.

Senator MILLIKIN. All of the agencies you referred to. What puts the Tariff Commission in the position where it should not make a valid judgment as far as injury is concerned?

Mr. ROSENTHAL. It would be preferable to have the combined judgment of the agencies represented on the two committees. That is a matter of administrative judgment.

Senator MILLIKIN. The Tariff Commission has available to it and receives the advice of the various administrative agencies. That being true, the Tariff Commission is peculiarly qualified to determine peril point and with the advice that is available to it, why wouldn't you be content with the decisions of the Tariff Commission?

Mr. ROSENTHAL. I would prefer the combined judgment. I don't think it is a vital matter in the situation. That is a matter of opinion. I would prefer that to be the combined responsibility of all the agencies.

Senator MILLIKIN. You think there would be a fatal defect in the law, if assuming that the Tariff Commission has available to it the opinions of all the executive agencies, it were to make the decisions on the peril point and its decision were to be the final decision, except in the case of security reasons? I am talking about security reasons, I am not talking about general philosophy.

Mr. ROSENTHAL. I don't think it is a vital defect in the peril-point procedure. It is a matter of preference.

Senator MILLIKIN. Thank you.

The CHAIRMAN. Are there any further questions?

Senator BARKLEY. Mr. Chairman.

The CHAIRMAN. Senator Barkley.

Senator BARKLEY. The Constitution authorizes Congress to regulate commerce among the States and with foreign nations. It was a hundred years after that Constitution was adopted before Congress implemented it in any way. In 1887 they passed the first act to regulate commerce, set up the Interstate Commerce Commission. They delegated to it certain powers which under the Constitution were given to Congress. Those who opposed the act to regulate commerce on the creation of the Interstate Commerce Commission at the time based it, among other things, on the ground that Congress was abdicating its authority and transferring it to an executive body. I suppose it has been amply demonstrated that the Congress could not, in the very nature of things, enter into all the details of things relating to commerce, rates, practices, and all of the things that the Interstate Commerce Commission, as the agent of Congress, has been empowered to do and does.

Later on Congress created the Federal Trade Commission as an agency for the regulation of commerce and the enforcement of the antitrust laws which are based upon the commerce clause of the Constitution.

There was opposition to that on the ground that it was an abdication of the authority on the part of Congress.

Now we have the Tariff Commission created later as an agency of Congress, to develop certain facts which Congress could theoretically develop, but which in the very nature of things could not be done because of the complications and the cumbersome procedures that have to be followed if Congress undertook to go into all those matters.

In each case there was opposition on the ground that Congress was abdicating. I don't think it was so much on the fact that Congress was abdicating something as it was the opposition to the creation of the Commission itself. That was one of the grounds on which it was based, that Congress was abdicating its power.

Congress has in numerous instances delegated its powers or authority to the President or to an agency appointed by him in order to solve the problems of all implications and complexities that have arisen in our modern civilization in commercial matters, both at home and in our relations with other countries.

Do you see any analogy between the creation of the Interstate Commerce Commission, the creation of the Federal Trade Commission, the Tariff Commission, and other commissions, or even in the delegation of its power in certain cases with certain restrictions to the executive itself, as has been done?

MR. ROSENTHAL. I felt that the creation of those Commissions has not only been wise, but a necessity, as our Nation grew and as our economic problems became more complex, and I think that there is a very definite analogy between them.

Senator BARKLEY. While the Constitution divides our Government into three branches, it has never been supposed that they would operate as isolated islands completely separated, unconnected, and uncorrelated in the administration of our Government. Congress has at numerous times, you might say, conferred upon the President or such agency as he might appoint, under regulations prescribed under law, Congress has authorized the President to do things that it could do theoretically and is authorized to do, but in the very nature of our complicated Government and our complicated society, Congress cannot do, and therefore has found it necessary to delegate that authority to somebody named by it.

Mr. ROSENTHAL. That has been my feeling.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. I think you used perhaps an erroneous description of the delegating powers of Congress. I believe it is more correct to say that we can delegate administrative work as distinguished from the Congress' own constitutional powers. The Supreme Court has decided again and again that Congress cannot delegate or pass over to anyone else its constitutional powers, but it can delegate under proper standards its administrative work.

Senator BARKLEY. I don't think there is a sharp line drawn there. Theoretically the Congress could by a law, I suppose, regulate the rates on railroads that carry on interstate commerce.

Senator MILLIKIN. That is right.

Senator BARKLEY. That is within the powers of Congress, but Congress cannot do it because of the nature of things.

Senator MILLIKIN. It can clearly delegate the job of regulating rates to the Interstate Commerce Commission, but it must do so under standards which the Interstate Commerce Commission must follow.

Senator BARKLEY. Yes; and Congress has always done that. In all these delegations of authority to other agencies, it has done that, whether to the President or to the executive departments. It has fixed the standards by which it should be done.

Senator MILLIKIN. If Congress doesn't do it, then you have the constitutional question.

I am not making a point that the Congress cannot delegate administrative duties regarding foreign trade matters, but it must be under proper standards.

Senator BARKLEY. I didn't make any contention to the contrary.

Senator MILLIKIN. Then we have nothing to argue about.

Senator BARKLEY. Then why are you arguing?

The CHAIRMAN. Thank you very much, Mr. Rosenthal.

Mr. ROSENTHAL. Thank you.

Senator MALONE. Mr. Chairman.

The CHAIRMAN. Senator Malone.

Senator MALONE. I am very much interested in your testimony. Whom do you represent?

Mr. ROSENTHAL. The National Council of American Importers.

Senator MALONE. Your opening statement seems to be a little confusing when you say that the basic problem is whether or not the United States should attempt to manufacture, mine, and grow everything that is consumed within the limits of available natural resources and manufacturing facilities in our own country. Just what do you mean by that?

Mr. ROSENTHAL. I think a great deal of the testimony on the Trade Agreements Act has come from individual groups that have wanted added protection as individual groups. In my thinking the Trade Agreements Act per se is really not a subject as to whether individual industries should receive added protection or individual tariff rates should be lowered, but when hearings have been held when extension of the act has been under consideration, there has been opposition to the act by those who want added protection on the assumption that this is an act which, of necessity, will lower tariff rates.

It seems to me that the character of that testimony indicates that there is still a substantial body of thinking in the United States that every American company, every American industry, all segments of the mining industry and of agriculture have an inherent right to protection, and that those companies and industries and so forth should not be subjected to competition from abroad, which might cause some of them to have to discontinue their current lines of production and to go into other lines.

I think that is still a basic philosophical problem before us.

Senator MALONE. Haven't you ever met anyone before that just thinks that this is a change in the basic philosophy of the country, that if we want to retain our standard of living wage and costs of doing business, that an industry should be entitled to the protection that would roughly represent that differential of the wage standard of living here and in the chief competitive country?

Mr. ROSENTHAL. I think that the wage argument has been very much exaggerated, and I think that for two reasons.

In the first place, I think it is more a matter of productivity as American industry has shown in a good many instances—and it really ties into my second point—that it is fully competitive in the markets of the world. Some of our well-protected industries do a very substantial export business. We exported during the last 2 years, each of them, about \$13 billion of commercial exports. I am excluding economic and military aid and so forth. So I don't think the wage argument is as applicable as is sometimes contended. But it is also my feeling that even if some companies or some industries, some segments of agriculture, cannot compete with goods produced abroad, that it is not necessary for us to give everyone, in every line, protection.

I think the test for our economy, in addition to considerations of national security, is the greatest amount of capital that can be employed in American industry and agriculture, in mines, in petroleum, and so forth, and the greatest number of people who have jobs.

We know that some of our export industries rely heavily upon their exports for their profits. We also know that the United States could export more commercially if countries abroad could pay us, and the only way they can pay us is if we buy from them.

Senator MALONE. Well, let's put this in just a little different light. You think they can compete whether they have any protection or not, and if they cannot compete, they ought to go out of business?

Mr. ROSENTHAL. Taking two factors into consideration, Senator, I would say yes.

Senator MALONE. What factors?

Mr. ROSENTHAL. The two factors are national security and defense and all of its implications, and also what I would call the overall national interest or overall national economic welfare. It is conceivable to me that there are certain industries that employ a great many people, and because of the impact of those industries on our national economy, that protection is valid.

I don't think protection is valid for everyone. That is my point.

Senator MALONE. Well, you obviously believe, then, that someone should judge between the industries in the United States that should not be protected and that should be protected and through that protection be given equal access to their own markets here by having a flexible tariff law. Of course you are aware that they could have equal access to our markets by an adjustment of the flexible tariff under the 1930 law, which would be applicable in the event that this act were not extended.

Mr. ROSENTHAL. Yes; I am aware of the provisions of the flexible tariff, but what I also feel is that this act is better in that it enables us, in negotiations with other countries, to get concessions from them for the lowering of their barriers to imports in return for concessions that we make. Secondly, as I recall the flexible tariff act, it is tied in to studies of the cost of production abroad, and I do not think that they can be practically and accurately made, so I think this act is somewhat better.

Senator MALONE. I would say to you that it is very easy to establish what obviously, at least to the Tariff Commission, is that differential, and to try it, and then, if it doesn't work out, to change it, as is done on freight rates.

I want to say, in that connection, as far as the Interstate Commerce Commission is concerned—it has been brought into this debate—I

served 8½ years on the regulatory commission in my own State, and participated in a good many hearings before the Interstate Commerce Commission, and the Tariff Commission was set up the same way under the 1930 law, on a definite principle and as an agent of Congress. The Interstate Commerce Commission is set up on a definite principle of fixing the freight rates on the basis of a reasonable return on the investment, and they determine through consideration of all the factors what that reasonable return is in their consideration.

Its findings are appealable to the Courts and can still be taken up by the United States Congress. There is nothing to keep them from doing it. The Congress does often call the chairman in when he apparently is not following the principles.

The Tariff Commission is set up in exactly the same way. The powers delegated to the Tariff Commission as an agent of Congress under the 1930 act are on the basis of fair and reasonable competition; that is to say, the difference in the various factors of cost between this Nation and the chief competitive nation in doing business, and the tariff is the difference. If a tariff is found not to be correct, it could be changed by the Tariff Commission. If Congress found they were not following it, they could call the Tariff Commission in. It is their Commission. It is their agent.

As far as the delegation of power to the President is concerned, the constitutionality of that act is being questioned now. The Morgantown Glassware Guild, Inc., Morgantown, W. Va., has sued the Secretary of the Treasury questioning the constitutionality of the act. That was filed last Monday. So there is little to be gained in discussing the constitutionality. It will be decided by the court. But they sued on the basis that it is a delegation of legislative power, which is not contemplated by the Constitution. Judges have before now ruled that Congress cannot delegate its constitutional powers to the executive.

However that may be, it is a question that is now in the courts.

But I want to bring out exactly what you have told me. As I understand it, you believe that industries should not be treated alike. No Tariff Commission has ever been empowered or has tried to say that one industry should not be protected and another one should.

Congress has never given any such latitude to any Commission. They are all treated alike to develop all segments of the country's industry in the same manner. You understood that, of course.

Mr. ROSENTHAL. Yes, sir.

Senator MALONE. You are for this act because it allows the President of the United States discretion to say if in his opinion, in his best judgment—you brought in a political question—if on the matter of international politics, he believes it would be better to allow some of these products to be produced by some other country. Then he can make a deal with that country to lower our tariff, the protection obviously needed for the industry to stay in business, and thus to cut their business or put them out of business entirely. That is what you want.

Mr. ROSENTHAL. Yes, sir. May I make a few additional observations?

Senator MALONE. Yes. You do say that is what you want. You want that discretion?

Mr. ROSENTHAL. Yes, sir. In the flexible tariff act it is tied to costs of production and even if the Tariff Commission could ascertain rea-

sonably—which I think is usually difficult if not impossible—the costs of production abroad, I would not feel that all goods that could be produced more cheaply abroad should be kept out of the United States. I don't think that is sound economics. I think if people can produce certain goods more cheaply abroad than we can produce them at home, then some consideration must be given not only to the consumer but to the impact of the spread of purchasing power on other domestic industries which would get a share of the consumer dollar which they otherwise would not get.

I welcome the test in the courts on the constitutionality of the act. The act has been in existence 20 years and I only wish the opponents of the act had tested the constitutionality of it before. In view of their allegations I have been sometimes astonished that they didn't test it before. I think it is sound that we should determine the constitutionality of the legislation.

Senator MALONE. So do I.

Mr. ROSENTHAL. Congress when it has given a tariff rate has acted on behalf of some industries, and that, of necessity, has had an adverse effect on others, because we cannot build up our exports unless we import. Therefore certain industries, that are fully competitive in the markets of the world, are hampered in building up their exports by virtue of the fact that other industries are given protection. Someone must resolve that. When we put a tariff rate on, the Government is doing something to be specifically helpful to certain industries. When we lower a tariff, the Government, whether the Executive or the Congress, is doing something that harms some and helps others.

I don't think we can escape that. The extent to which we should do that is a matter for the Government. I think the individual businessman is fully within his rights to ask for protection either in the way of higher tariffs, if they believe they need them, or in the way of lower tariffs if they think it would stimulate their exports. Someone must make a decision, and I think of necessity that must be the Government.

Senator MALONE. As I understand you—I think you are very plain about it and I admire you for saying it—the consuming public is entitled to a lower price if it can be produced in the lower wage countries by the sweatshop labor or labor getting lower wages, than you can get here, and if you can ship the product in without a tariff or with a lower tariff, the public is entitled to secure that advantage.

Mr. ROSENTHAL. In certain instances the public is entitled to that consideration.

Senator MALONE. You think the President of the United States should determine those instances, pick the industries that will be destroyed and the industries that will be built up?

Mr. ROSENTHAL. I think the decision has to be made by someone. I don't think there has been such destruction under the act in the last 20 years. Our economy has grown and prospered. It is true that war conditions have aided that to some extent. We have consistently grown. I don't think it would be destructive to American industry and agriculture as a whole.

I think technology has brought about more changes in capital investment and employment in our history than any reduction of the tariff has ever done or possibly could do, yet we consider that a sign of progress.

When you speak of the powers of the President, I agree that the President under the act must make the final decision, but I don't like to overlook the fact that it is not one man sitting on a throne making a decision.

The President receives his guidance from a composite group of experts in the field, or at least Cabinet officers, and others who are staffed by experts in the field, so it is a composite judgment rather than one man's whims.

Senator MALONE. You bring in the matter of technology, so we will discuss that just for a minute. The technology of improvement in production is available to practically all of the producers in the country; that is, unless it is a patented process.

That technology is also available to foreign countries. Through technology, as you so ably suggest, through competition in this country, prices have been very much reduced over the years and, of course, no one is objecting to any competition in this country where they pay approximately the same taxes and the same wages and have the same costs of doing business.

The objection comes principally that through the lowering of the tariff you would allow imports from low-wage, low-tax countries and many of the countries where we are paying most of the taxes, because the taxpayer here builds these plants and builds up his own competition through some of the policies also inaugurated a good many years ago.

So, as I understand you, what you want is to so set up the procedure that some arbiter, which is the President of the United States—we agree on that—can say upon which industry the tariffs or the duties, as the Constitution describes them, will be lowered and allow more of those imports to come into the country, presumably, as I get the trend of your testimony, to give money to those countries to buy other products here.

Is that a fair sizing up of your position?

Mr. ROSENTHAL. Yes, sir. If you add to it also the various military and political implications of our relationships abroad, yes, sir, that is a very fair statement of my position.

Senator MALONE. In other words, if you have some political situation arise—some of us call it blackmail, others have a milder name for it—they say, "You have built the plants. We have them now. If you don't permit us to sell to you, we will sell to Russia."

Mr. ROSENTHAL. I don't think it can properly be called blackmail.

Senator MALONE. I call it that. Mrs. Luce testified—and she is a fine Ambassador—that now that the taxpayers of America have built the plants in Italy, that the Italians will not understand if we do not buy their products. Is that a fair statement of what you are for?

Mr. ROSENTHAL. I think that again is taking something in a very limited sense.

Senator MALONE. I didn't mean to limit it. I meant it to apply to all the industries where these trade agreements have been made.

Mr. ROSENTHAL. I believe that from political considerations—and I do not pretend to be a student of the details as to what needs to be done in our relations with each country—I would say that if, in the judgment of our Government, it would be helpful to stabilize Italy to lessen the Communist strength in Italy through importing more from

Italy and helping its economy, its employment, and so forth, I believe that we could do that without impairing the economy of the United States, that it would be valid, and I would be willing to trust the judgment on that to the Executive.

Senator MALONE. I have understood that you are. Congress has never delegated authority before to anyone as to what industry will be diminished and what will be built up.

This is the first time, in this act, that they have ever given such broad discretion to anyone. Never have they given it to the Tariff Commission to reduce a tariff on any basis except a differential, of course, on the basis of fair and reasonable competition. So I understand you thoroughly, I believe, that you are for giving Italy—and that is just an example, any nation that may need it—a part of our industry, a part of our employment on a political basis.

Mr. ROSENTHAL. I don't think we are giving part of our industry or employment necessarily, because I believe, even if some companies went out of business, to take that as a possibility, that through an increase in American exports, there would be added capital invested in American industry and agriculture, and there would be added employment in those industries.

When you spoke before of technology being available to everybody, I was thinking in terms of changes in American industry in which electricity replaced the kerosene lamp and the automobile replaced the horse and buggy.

Senator MALONE. Nobody kicked on that, did they? Whenever you pay the same wages and you can displace coal as a fuel and you are paying the same wages in this new fuel and doing it in the United States, I doubt if you will hear anybody kick very much, but you are talking about displacing it with lower wages.

Mr. ROSENTHAL. Well, I think that the record shows that productivity—not money wages—and I wish the wages of some of these countries would increase, because I think it would stabilize their economy and their political system to a far greater extent, but aside from that, that American productivity has indicated that it can be competitive in the markets of the world. If we cannot be competitive in every industry, in every type of product made. I don't think that is a reason for us necessarily to continue the manufacture and production of all of those products.

Senator MALONE. Are you aware about 50 to 60 percent of the products never have had any tariffs at all?

Mr. ROSENTHAL. Yes, because they are the basic raw materials which are either used for food, such as coffee, tea, and so forth, which we do not produce in the United States or they are basic industrial raw materials needed by industry in the United States for its production. The bulk of some 70—

Senator MALONE. I disagree with that. I want to explain it to you. You are right on the things we do not produce commercially in this country, and the Tariff Commission is the judge. On the raw materials, that is what I understand you are trying to do, you want to trade the productive industries of this country, especially in the raw material field, but you are including glassware, you are including crockery, you are including machine tools, you are including textiles, you are including 56,000 other products that are included whenever such duty goes below such differential cost with the competitive country.

What you are for is to leave it to the Executive to determine when it is advantageous to allow those products to be imported from a lower wage nation, regardless of any differential of cost through the lowering of the duty, and trading it, in effect, for some other industry that may export more as a result.

Mr. ROSENTHAL. Yes, sir. I think there are broad economic implications in regard, as I stated before, to the purchasing power of the consumer.

Senator MALONE. As far as your own materials are concerned and your opening statement, which I got away from before I completed it, the question is not at all whether you are going to produce in this country everything you consume here even if you could, because the limit of that duty as set by Congress, the definite principle established for the Tariff Commission to go by in setting the tariffs and duties preclude that on the face of it. In other words, when they have this differential in cost, that does not mean the highest cost or the lowest cost. It means the reasonable cost and, if you go into it far enough, you will find that is what it does mean, so that many of these materials that are protected and have been protected for many years on that principle do not produce all we consume in this country, maybe a substantial part of it, but not all of it, and you will find perhaps three-quarters of the products unprotected in that category.

So your opening statement is very misleading, don't you believe?

Mr. ROSENTHAL. No, sir.

Senator MALONE. Explain it.

Mr. ROSENTHAL. Because as a matter of philosophy, I still think there are those who believe that the United States within the availability of its resources and manufacturing facilities should produce and manufacture everything it can. There are still those who adhere to that philosophy.

Senator MALONE. I just do not happen to know any of them. I think my acquaintance is rather wide. What they do want is that reasonable protection, equal access to their own markets, just as under section 336 of the Tariff Act of 1930, to which this matter would advert if we did not extend the 1934 Trade Agreements Act. There it says in words of one syllable that the differential of cost, considering all of the factors possible between the production here and the cost in the chief competing country, should be set up, and in that reasonable cost is not included all of the production. I don't know of anybody that wants to produce all of anything. Maybe they would secretly if they could. But they only go so far as to ask for a fair differential and equal access to the market.

You are aware, of course, that most of the foreign countries nullify their commitments in any trade agreements they make with us through manipulations of their currency, exchange permits, import permits and quotas, or are you aware of that fact?

Mr. ROSENTHAL. I am aware of the regulations in other countries.

Senator MALONE. Do you think that these agreements are fully reciprocal?

Mr. ROSENTHAL. Within certain limits; yes.

Senator MALONE. What limits are they? Within the limits of the exchange permit, what they want to come in?

Mr. ROSENTHAL. Within the limits of the economic resources of the other countries. We are doing now, as I said before, a large ex-

port business. Other countries have made concessions to us, but the problems in other countries are very different from our own. We have no problem of paying for anything that we want to buy abroad. In addition to the fact that we could export substantially more than we are now exporting, and so pay for what we would want to import in addition to the \$11 billion, or slightly less a year, that we are now importing, we also have a large stock of gold on hand.

The problem for other countries is the problem of payment to us. Their various quota arrangements and currency controls, while I don't like them in principle either, are predicated on the dollar availability to buy goods from us. If we bought more from them, they would buy more from us. The dollars come back, Senator, in one way or another. They do not stay floating abroad.

Senator MALONE. I have that same trouble. There are several things I would buy if I had the dollar to buy them with and if someone would allocate them to me I would buy them.

Mr. ROSENTHAL. That is their problem. We can allocate the dollars in two ways. Give the dollars to them or buy from them. I would prefer to have them buy from us.

Senator MALONE. Do you think we have to give them the dollars?

Mr. ROSENTHAL. I would not give them the dollars for that purpose. I think our operations in certain fields of economic aid are wise. That is not a direct problem here today.

Senator MALONE. It is a problem every place.

Mr. ROSENTHAL. I believe that a certain amount of economic aid to what we commonly call the underdeveloped areas is a wise policy on behalf of the United States, and I would be happy to testify on that specific subject on another occasion. But insofar as it is possible, within the limits of what I have termed the overall national economic welfare, I would prefer to send our dollars abroad in the form of buying goods and confining our aid to those situations in which I think such aid for various reasons is essential.

Senator MALONE. In the interest of time, we will not go into this investment climate that you might know something about or not know something about. Whenever you find these countries with investment climates you can put your money in and get it out again or change it for its real value, if there is profitable investment, there is private money to go into it.

Mr. ROSENTHAL. Yes, sir. There is this limit on private investment that we have to bear in mind. Private investment can go abroad wisely, in addition to a favorable climate, and I am not minimizing the importance of climate, but on the basis of financial wisdom, it can go abroad if it believes it can make a profit in the country in which it seeks to invest, if it can withdraw its earnings in dollars and if it can be amortized in dollars over a reasonable period of time.

Senator MALONE. If it can withdraw its investment in the same kind of money it took in.

Mr. ROSENTHAL. That is right. It cannot do that unless the country in which it invests has exports which bring it the dollars which can go back in repayment of our investments. No matter how good the climate is, you cannot get your money out otherwise. The money isn't available.

Senator MALONE. I am glad to have your idea on this, although it is a little far afield. You want to force the trade. The reason I

buy up to the limit of what I have here, I don't want to borrow money and no one will give me any. There is only one way an individual can have a dollar shortage. There are two ways a nation can have it. One way is like the individual when they insist on spending more than they earn each year.

Mr. ROSENTHAL. Yes, sir.

Senator MALONE. The second one is when they fix a price on their money above the market price and no one but a congress will pay it. Isn't that about the way it is?

Mr. ROSENTHAL. No, I don't think that is right.

Senator MALONE. Will you explain what it is when they fix a price above the market price in dollars for their money? Why is it that it doesn't flow freely? Is there any other reason?

Mr. ROSENTHAL. How do you mean they fix a price above the market price?

Senator MALONE. Like the franc and other forms of money.

Mr. ROSENTHAL. I am not a currency expert.

Senator MALONE. I don't want to get into it too deeply. As long as you brought it up, I want you to explain it.

Mr. ROSENTHAL. These countries have problems with their currencies not only with respect to foreign trade but with respect to their own domestic situations, and they solve them to the best of their ability, making mistakes at times. It isn't that I want to force trade. The only point I am making in regard to what you said about investment is that I doubt if American management can wisely invest abroad, even if the climate is excellent, unless they believe they will be able to get the dollars back and no country can get dollars unless it exports.

Senator MALONE. What you want is to have the investments in this country go abroad and build plants and ship the stuff back here without a tariff. That is what you want?

Mr. ROSENTHAL. No, sir, I wasn't thinking of that at all. That may happen in some instances, but that was not what I was thinking of. For one thing, if private American industry thinks it can do well by investing abroad, I don't think anyone would deny them that right in a free-enterprise system. Secondly, an added amount of industrialization in other countries is essential for their own economic well-being and progress, and I think economic welfare and progress in the undeveloped areas of the world is essential if we are to have any hope that they will develop along democratic ways of living and achieve political stability along those democratic ways of living. That is my thought as to why their industrialization is important. If American investment goes abroad to do that industrializing, I think American investment must decide as to whether or not it is a proper kind of investment for management to make.

Senator MALONE. Let's get a little closer home. What happens, whether it is our money, an American company's money, an individual's money that goes abroad and invests in a plant and brings the goods here, what happens to the working men here who are in that business? Can they go abroad, too, and take those kinds of wages?

Mr. ROSENTHAL. No, sir. Those working men here would have to change their jobs and get jobs in other industries which would therefore be able to export more.

Senator MALONE. What would you advise the glass companies to do now? They have had employees who have been working for them, some of them second and third generation, and in the crockery business and in the mining business, where would they go? What kind of work do you suppose they could adopt?

Mr. ROSENTHAL. I don't know what kind of work they could adopt. I am prepared to support the bill that has been introduced called the Trade Adjustment of 1955, of which Mr. Carey spoke. But again I tie the problem somewhat to what various American workers did do in those industries that were forced out when we had technological changes. They had to move their homes. I am not minimizing the distress of that. They obtained jobs elsewhere, and our country continued to grow with that.

Senator MALONE. Up until the last 20 years to now they have never been forced out of their jobs, except by a competitive service that paid about the same wages and the same taxes and all of the rest of it, and nobody is objecting to that.

Mr. ROSENTHAL. That is right, and to some extent I think that we should recognize competitive services in our import policy.

Senator MALONE. In other words, you should recognize the low-cost labor and let their stuff come in?

Mr. ROSENTHAL. To some extent; yes.

Senator MALONE. I think that is enough.

I want to say in regard to Mr. Carey that I am sorry he is gone, Mr. Chairman, because Senator Martin asked me to say in this connection that there are many unions who are a part of his general union in Pennsylvania that are against extension of this bill, that have written Senator Martin and definitely do not agree with Mr. Carey.

The CHAIRMAN. Thank you.

Mr. John C. Ray, Detroit Board of Commerce, is listed as the next witness.

(No response.)

The CHAIRMAN. Mr. Herschel D. Newsom, master, The National Grange.

STATEMENT OF HERSCHEL D. NEWSOM, MASTER, THE NATIONAL GRANGE

Mr. NEWSOM. Shall I proceed?

The CHAIRMAN. Proceed, Mr. Newsom.

Mr. NEWSOM. Mr. Chairman and members of the committee, the National Grange supports H. R. 1 because we believe firmly that it is imperative, both for the best interests of farmers and rural people and in the total national interest, that we provide for the expansion of international trade. By moving as soundly and progressively as we can possibly move, in the direction of freer movement of the products of people everywhere, insofar as it is possible to do so without impairing the integrity of present jobs and present invested capital, we can build markets toward adequacy, in terms of our current productive capacity.

The Grange firmly believes that even though there are serious problems to be taken into account in seeking freer movement of goods and services among nations, we simply must put increasing emphasis on a thoroughly realistic and modern foreign economic and trade policy.

It is unrealistic to condemn all the restrictions on world trade that have come to be a part of our national and international policy over the past 35 or 40 years. It is not only unrealistic, but it is completely unsound to talk in terms of their sudden or even speedy elimination and removal. It is essential that we recognize that these barriers and restrictions have come into being in a period when there was no such thing as a normal, peacetime commercial or economic relationship.

During the entire course of the life of every person in this Nation not more than 40 years of age, the world economy and our own have been distorted by war conditions. Many of American agriculture's best normal customers have felt compelled to set up such trade restrictions and barriers as would serve to protect their own domestic food, fiber, and bread grain supply, just as we in America have in some instances felt compelled to protect the manufacture or production of certain essentials to our own national well-being, by similar restrictions and devices.

Senator MILLIKIN. Mr. Chairman, that applies also to agricultural products; does it not?

Mr. NEWSOM. Yes, sir.

It is certainly not our intent or purpose to insult the intelligence of the members of this committee by dwelling at any length on subject matter with which the members of the committee are vastly better informed than we are from our strictly agricultural point of view. It is rather our purpose to say that in our play for a foreign economic policy designed primarily for the purpose of facilitating, rather than restricting, the most normal trade possible among different nations and among different peoples of the world, we are trying desperately hard to take all the facts into account.

We understand full well that the best customer for American farmers is by all odds our American customer—our United States domestic market. Yet, it is that 10 percent or 12 percent of our total production which we need to market outside the bounds of the United States which quite often establishes the price and restricts the income of American producers on their total production.

As the members of this committee know full well, in the case of wheat we must export far more than 10 percent or 12 percent of an average crop if we are to stay out of trouble.

For cotton, it seems clearly necessary that we think in terms of exporting approximately one-third of the crop; in the case of rice, it is even a larger percentage of our total production that we need to export, unless we are to condemn agriculture to a policy of trying to shrink our production by comparable amounts, in these commodities.

Senator BARKLEY. Did you give the percentage of wheat that we export?

Mr. NEWSOM. I didn't. I only said that it is substantially higher than the average of all agricultural commodities which we have estimated at 10 to 12 percent.

Senator BARKLEY. You cannot give the specific percentage on wheat?

Mr. NEWSOM. That has varied a good little bit. I would estimate that it is close to a third on the basis of the present supply situation but, as you know, we are in a very artificial sort of a situation.

Senator BARKLEY. I didn't want to divert you there. I thought you gave the percentage. I didn't catch it.

Mr. NEWSOM. No; I didn't.

This is not the recipe—I mean to say this shrinking agricultural production by these amounts—to expanding agricultural income, which we believe is a fundamental necessity and integral part of the kind of an expanding total American economy that we believe is both desirable and possible. In our opinion, there is simply no possibility of reaching a goal of \$500 billion United States productive economy, unless we can reverse this factor of declining farm income. We are thoroughly convinced that this matter of foreign economic policy—of expanding trade on a basis of efficiency and economy of production of the various commodities, agricultural and otherwise, that enter into world trade—is a major ingredient of that expanding agricultural income which we seek.

We are likewise completely certain that the surest recipe to this sound, gradual, and constructive expansion of world trade is the recipe that is provided, at least in large measure, in H. R. 1. The dangers of legislative decision on each and every trading bargain or concession are great. Of necessity, there is a certain amount of inflexibility in legislative decisions made on detailed matters. The authority, therefore, for the administrative branch of our Government to engage in bargaining processes—to endeavor to gear concessions, or increased access to our market, to a corresponding increased access to markets abroad—to the end that markets may be granted in due regard to increased purchasing power, made possible by concessions or expanded outlets for our own production—seems clearly to be the wisest possible process, by which we can gradually approach the sort of expanded market that our improved and increased productive capacity makes it possible for us to supply.

As a matter of fact, the Grange has traditionally believed that we have been altogether too slow in making use of particular devices which would make it possible for us to be truly competitive pricewise in the markets of the world. We have likewise been too slow in using such other devices as a really sound and effective tariff drawback in such manner as to guarantee American market accessibility, in some reasonable proportion to increased foreign markets that may be made available to natural or normal American products. Administration of this sort of device can best be assured by reasonable success by the type grant, or extension, of authority to the executive branch of the Government which we visualize as being the purpose and fundamental objective of H. R. 1.

We believe that a careful analysis of the history of agricultural income since the close of World War I will clearly indicate that it is impossible to overestimate the importance—from an agricultural point of view especially—of maintaining the most adequate foreign outlet for our natural or normal export crops in terms of efficiency of production—wheat, cotton, rice, and tobacco—that competitive efficiency will sustain. We believe that within the framework of the purpose of H. R. 1 much progress can be made toward the attainment of this objective. Through careful bargaining processes, this progress can be made without any impairment, over a period of time of our fine domestic market for all the products of the farm and the field, as well as the products of our own customers.

It is our belief that the modifications made in H. R. 1, designed to clarify the intention of Congress with regard to section 22, makes

this measure even more acceptable now. We, therefore, give H. R. 1 our wholehearted support.

The CHAIRMAN. Thank you very much, Mr. Newsom, for a very able statement.

Are there any questions?

Senator MILLIKIN. Mr. Chairman, I am sure the gentleman is aware of the fact that if we allowed imports to injure domestic industry that would not help our farm situation; is that not correct?

Mr. NEWSOM. That is right, sir; we are aware of that. I tried to make that statement about as clear as my language would permit, but at the same time we believe, Senator, that there are few, if any, cases in our total economy where we have a completely saturated market in terms of the real potential.

Senator MILLIKIN. But I come back to my original question. If we allow imports into this country that bargained away our payrolls, that would not help agriculture, would it?

Mr. NEWSOM. That is exactly right.

Senator MILLIKIN. So we must adhere to the injury test, must we not?

Mr. NEWSOM. That is right.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Are there any further questions?

Senator MALONE. Mr. Newsom, what is your understanding if you have studied it, of the 1930 tariff law when it says that the tariffs or duties according to the Constitution of the United States would be adjusted on that differential of cost of production.

Mr. NEWSOM. Well, Senator, I confess to you that I suspect that I am not qualified to give the kind of meaningful answer that you seek.

Senator MALONE. I do not seek any answer. You answer it as you see fit. What we are trying to do is make a record here so we will know what would happen under this act.

Mr. NEWSOM. I am not familiar enough with that particular—

Senator MALONE. That is a fair answer that you started to make.

Mr. NEWSOM. All right.

Senator MALONE. Now I am glad to meet you. I did not know you to begin with. You are head of a great organization, and of the men that I know in it—and I know a lot of them—I know of none that want to injure any other industry. Do you know any?

Mr. NEWSOM. No, sir.

Senator MALONE. Then what you really want—I think the question of the Senator from Colorado was very much to the point—you want to help agriculture in every way you can without injuring the employment in the industries of any other field?

Mr. NEWSOM. I think that is a fair statement.

Senator MALONE. Of course that conclusion could not very well be drawn from your testimony but I am sure—I was sure that that is what you really meant.

Mr. NEWSOM. Well, I do not know why you make the statement that that conclusion could not be drawn from our testimony.

Senator MALONE. I would like to discuss that just a moment with you. You are aware that the Tariff Act to which this adjustment of tariffs would revert if we did not extend the 1934 Trade Agreements Act provides for exactly what you are talking about, and that is that

it gives any producer or any potential producer within reasonable limits equal access to their own market on a basis of fair and reasonable competition. That is about what it adds up to. Section 36 has been put into the record several times. It is not necessary, I think, at this point to reinsert it. Now, the Trade Agreements Act of 1934 that you have testified you would like to see extended, goes further than that. It does give the Executive the right to injure other industries if they think the overall economy or the political friendship of other nations is important, the factors are not very clearly expressed.

It is left entirely to his judgment. If he thinks it is beneficial he can lower the duty or the tariff on any product below that differential of cost, which means, of course, that you would either have to write down the wages or the investment to meet it, or go out of business. The Executive may do that at his discretion. Are you aware of that provision?

Mr. NEWSOM. Yes. I think I understand that provision to be just about as you defined it. I would point out, however, that there may be a difference between us on the matters of definitions as to where injury occurs.

Senator MALONE. I wish we could have your definition in the record.

I think you are a very important man and I do not know what you were doing before you became president of the Grange.

Mr. NEWSOM. I have farmed all my life.

Senator MALONE. You are a very important man in this country.

Mr. NEWSOM. I have farmed all my life, sir. That has been my business.

Senator MALONE. That is very good. Now we would like to have your explanation.

Mr. NEWSOM. Well, perhaps I can demonstrate what I had in mind or the type thing I had in mind by reference to a problem that came to us in connection with the American Cordage Institute when their representative sought our support for a quota arrangement that would guarantee the American producer of twine the same percentage of the American market for that product as of the present, or some other given time. It was our position with him—and I think this will clarify our position generally—that we were unwilling at that time at least to subscribe to that kind of a quota. We would prefer to subscribe to the kind of a quota or restriction of import that would protect the integrity of the present invested capital or of the present jobs granting such expansion or such expanded market to all producers—foreign and domestic—largely on the basis of competitive efficiency. Now that is the type thing, Senator, that I have been trying to say.

Senator MALONE. Would you just clarify your position on that. What is the principle that you would stand on to do that?

Mr. NEWSOM. Well, if that protection is going to be afforded in quotas, then it would seem more realistic and more in line with our policy to establish those quotas in terms of a given volume of production, assuming that it is determined—and I do not know that facts but assuming that it is determined—that we, as American farm users of bailer twine, can buy twine from a foreign source at a lower cost than we can at an American cost level, then we would only be willing to protect the American producer on the basis of his present operation in volume—rather than percentage. If we used double the twine a few years hence, that we are using now, we do not want to use the tariff or

the quota system to double the domestic production of twine here at a time that it is not competitive. By the same token, we would try to apply this same process to our agricultural products.

Senator MALONE. Now where would this twine be imported from chiefly?

Mr. NEWSOM. I confess that I do not recall right now.

Senator MALONE. Some nation in Europe?

Mr. NEWSOM. Well, I think some of it was coming in from Canada, a substantial part of it.

Senator CARLSON. Some of it would come in from Mexico.

Mr. NEWSOM. That is a major source.

Senator MALONE. My reason for that question is to determine what their wages were and they are about a half or a third of what wages are here and naturally it would be cheaper production; would it not?

Mr. NEWSOM. That is exactly right, but that fact in itself, Senator, is in our judgment no complete justification for promoting expansion of the domestic production. I say that we are willing to protect them on the basis of their present level of operation, but it is no basis for promoting expansion of an industry in this country at the expense of building potential markets abroad.

Senator MALONE. Now if you afforded a quota system, taking for granted for a minute that a quota system could be established that would guarantee a certain part of the market—and I do not subscribe to the system because the situation could change overnight that makes a quota very inapplicable—it might be that the cost of production could be run up purposely and they would still have the market. Do you see that point?

Mr. NEWSOM. I think I failed to get this question. You said the cost of their production might be run up purposely. You mean the domestic production?

Senator MALONE. If you guaranteed them a certain part of the market then it would not make any difference what the cost was; would it?

Mr. NEWSOM. I think that is one of the evils out of that kind of extreme protection.

Senator MALONE. Yes; I think that is right but no one is advocating it that I know of.

Mr. NEWSOM. I do not want to indict any American industry, but that is exactly what they were proposing to use and asking our support.

Senator MALONE. They probably thought it was a last resort as long as you were all for the extension and the practical adoption personally of this mode of lowering duties below that differential of cost so that no one could stay in business.

Mr. NEWSOM. Let me get the record straight. I do not want to indict the whole industry here because of what one individual representative said. It may have been a personal statement of his and I certainly want to clear the rest of the industry so far as that is concerned.

Senator MALONE. Yes. Well, I think that some of the independents in the petroleum industry are just about on their last legs and they are frantic and they are talking about a quota system if the Trade Agreements Act is extended.

But they do not want a quota system, what they want is protection on a basis of fair and reasonable competition. Sometimes people that

have stockholders get frantic when they see a Congress just about to go off the deep end again.

Now I might ask you this. You say that this foreign twine can be brought in at a lower cost and you are for that. You did cover this to a certain extent and perhaps that is about all the information you have here.

Do you have with you the amount of wheat and corn and barley that is produced and purchased here above the market consumption here?

Mr. NEWSOM. No.

Senator MALONE. It is substantial, and of course I suppose you are for the mode of exports to meet the world price whatever it may be, and the taxpayers take up the difference of the amount that is exported.

Mr. NEWSOM. No; we are not for what we refer to as the one-price-plus-subsidy program on our normal exports like wheat. Your colleague there can inform you more adequately than I am probably justified in taking the time of this committee as to our program.

Senator MALONE. You are justified in taking the time. Don't worry about the time. You go ahead.

Mr. NEWSOM. Well, as you may recall, we, with certain other groups, were successful in getting a wheat certificate plan passed through the House of Representatives in the last session of Congress that would permit us to be competitive in the feed markets domestically as well as the markets of the world so far as bread grain is concerned.

Senator MALONE. How would that work?

Mr. NEWSOM. Well, we can submit you several prepared statements on that.

Senator MALONE. Just briefly, if you will.

Mr. NEWSOM. Briefly it would work about in this fashion. We would limit price supports to the domestically consumed, for human food consumption—the human food portion of the wheat crop. Granting that to talk in terms of withdrawing all price-support measures from wheat at this particular time—with a billion bushels of the stuff in the hands of your Government and mine—is completely unrealistic. In other words, we recognize that we are starting at a terribly bad time to put any kind of a sound program in operation for wheat when we have this sizable quantity in the hands of the Commodity Credit Corporation.

Frankly, our ultimate objective is to confine price support entirely to the domestically for human-food portion of the wheat crop, permitting feed wheat to move at the free market price.

A good substantial chunk of our American wheat production is feed wheat and not bread grain—

Senator MALONE. And corn would be excluded?

Mr. NEWSOM. No; we are not mixing up commodities. The Grange has long advocated what we refer to as a commodity-by-commodity approach. We have gone a long ways in that direction.

Senator MALONE. The corn would not be included in the principle?

Mr. NEWSOM. Not in this particular one because corn is not a normal export crop as we call it. We consume corn here.

Senator MALONE. We consume it here but we cannot consume it and feed it to cattle and sheep at the price we get for those, and the price of corn has held. You know that, of course.

Mr. NEWSOM. I would be awfully glad to visit with you as your time and ours permit on this total farm program deal.

Senator MALONE. Do you know that that is a fact, at the support price you cannot feed it to a cow?

Mr. NEWSOM. Well, I certainly know that within reason.

Senator MALONE. You just kind of look to me like a fellow who would know that because you have tried it.

Mr. NEWSOM. I have tried it, sir.

Senator MALONE. And our people out there cannot buy it at a price they can feed the cattle and sheep, so you are storing it?

Mr. NEWSOM. On the other hand, getting back to our subject matter before this committee, let me say to you very earnestly that when I saw milk being produced in Kenya, East Africa, last May at 15 cents a gallon, I had some mixed emotions. I know full well that it is completely unsound for us to expect American dairy producers to produce butter in competition with that 15-cent milk when their wage rate there is about 30 shillings a month.

Senator MALONE. You did not support the lower duty on butter then? You would not be for that?

Mr. NEWSOM. Well, perhaps I should not have opened up this subject because it gets complex.

Senator MALONE. Well, I think you should. I am for you. I want you to know that.

Mr. NEWSOM. What I am willing to say to you right now is even though I am not going to be a willing part of asking the American people to compete with that kind of a wage rate, which amounts to about \$2.50 for 30 days—

Senator MALONE. I have been there, yes. I know you are right.

Mr. NEWSOM. But I believe firmly that we have got to put our emphasis where it belongs. There is no excuse for America being in 13th place among the nations of the world in consumption of dairy products, and if we consume a reasonably adequate volume of our whole milk and other dairy products at a time when dairy production in this country stands at an all-time low per capita—and that is where it is right now—then I honestly think that we might eventually be able to provide a little market for some of the 90 percent butter which they are producing in that area there halfway around the world and do it profitably. I did not meet a single European farmer in that Kenya Highland territory that would not prefer to drive an American automobile.

Senator MALONE. Well, I would, myself.

Mr. NEWSOM. If they could get it. But currency restrictions compel them to drive an American-made automobile.

Senator MALONE. You mean an English-made car, don't you, not an American-made?

Mr. NEWSOM. If I said American I meant that they are driving a European-made car—French or German as well as English.

Senator MALONE. That is right. They will not let you buy it.

Mr. NEWSOM. And I am saying to you that if we can somehow or other build our own market for the major product of our dairy industry, and recognize that butter is a byproduct of this fluid-milk industry which we have no business trying to support at too high a level, then we may provide some dollar earnings which would, in turn, produce more American markets.

Senator MALONE. I think you are a reasonable man and I want to tell you you are talking to a farm boy and I eat cornbread and milk and a lot of butter so I am eating my share of it.

Mr. NEWSOM. Yes, sir.

Senator MALONE. And I am very interested in what you are saying because I do not think you want to hurt any industry at all.

Mr. NEWSOM. We cannot afford it. If we are going to reach this \$500 billion national income we cannot do it by hurting either agricultural or nonagricultural industries, but we have got to expand markets.

Senator MALONE. I think you are exactly right and I really have no further questions from you because I think regardless of the implication of what you have said in your written statement and what you actually mean, that you do not want to hurt anybody and you do not want to lower the standard of living in this country by any percentage at all, do you?

Mr. NEWSOM. No, I want to see it go on up and I think it can go on up.

Senator MALONE. That is right, but in this country with its high living standards and high wages industries in our own country must thrive and have equal access to our markets to maintain them. They cannot do that when trade agreements give definite advantage to foreign countries where some of our largest investors are taking some of our best machinery. I have been in the engineering business since I left the farm, and I have been in a particular business with all kinds of engineers. When big companies invest in a foreign country they send the best engineers they can find in the particular business. If it is a copper mill or if it is a textile mill or whatever it is, that is what they do. If their mill is the last one built, it also is the best in the world because it is the last. Then they take an American superintendent and foreman there, to train the low-wage foreign workers to become as efficient or almost as efficient as our well-paid American workers.

But in any case, the Tariff Commission under the 1930 law can take into consideration the effective wage. Now in South Africa, where they pay 40 or 50 cents a day for native labor, maybe it takes 4 or 5 of them to make up one good Irishman but they can pay 10 of them and have \$6 left, so it is a very profitable operation to ship the products in here from there at a lower duty. I think you understand what I am talking about and I certainly think I understand you.

Mr. NEWSOM. I think that we understand each other reasonably well. I confess to you that your line of questioning and comment leaves me with one grave question that I intend to explore, and that is that if this particular act—the 1930 tariff law to which you referred—were entirely adequate in itself and if we don't actually need a mechanism of the nature and character of H. R. 1, then I confess to you that I am at a loss to know why we continued to stay in such trouble until we got into World War II.

Senator MALONE. Well, we had the act all the time from 1930 to World War II and we had World War II cure the unemployment situation.

Mr. NEWSOM. But basically, I cannot escape the apparent fact that every time we have moved a certain distance away from a wartime in-

flated economy, we have plunged into a declining income situation which has always heretofore reacted against the total economy.

I think the major factor in that whole situation which has, as I say, repeated itself every time we have moved out of a war economy—is that we have not been realistic in a foreign trade policy that recognizes that this agricultural industry of mine and yours has to have some foreign markets.

Senator MALONE. When I was on the farm—it has been a long time ago—30-cent corn—

Mr. NEWSOM. I sold some corn for 13 cents a bushel—and also eggs at 6 cents a dozen—and that makes you get old fast.

Senator MALONE. That is true, and I have gone through 4 of these depressions and I guess from the looks of your hair you have reached about 4 of them.

Now I want to read this to you because I do want you to think about it. If you do not want to hurt any industry, you have a law to fall back on if this 1934 act runs out that won't hurt an industry, and it says "That upon their own motion," the request of Congress, the request of the President or pretty near anybody, the Tariff Commission can reexamine the tariff or duty on any commodity, and it is flexible.

It says:

They shall investigate the difference in cost of production of any domestic article and of any like or similar foreign article.

Then without going into all of this, I have quoted on page 1869 of the Congressional Record of February 28, and of course the tariff act is available to you, this is the day the suit was filed, and I was on the floor with a speech; what do they do about it then?

The Commission shall report to the President the results of its investigation, its findings with respect to such differences in cost of production. If the Commission finds by the investigation that the duties expressly fixed by the statute do not equalize—

it does not say up or down—

the differences in the cost of production of a domestic article and a like or similar foreign article when produced in the principal competing country, the Commission shall specify in its report such increases or decreases in the rates of duty expressly fixed by statute including any necessary change in classification as it finds shown by the investigation to be necessary to equalize such differences.

And they could do that every 6 months or anytime that it appears to be necessary, and have all of the evidence. Now I leave that with you, and I do not think it is necessary for me to question you any further. You look like a fair man to me, and I think, whether you realize it or not you are one of the most powerful men in this country during your term of office in the Grange.

Mr. NEWSOM. Well, sometimes we think we have been pretty ineffective, but there is probably no point to continuing on that.

I do want to say that this word "equalize" in the statement you have just read disturbs me somewhat because I think there has to be some differential somewhere if there is going to be any flow of commerce.

Senator MALONE. You understand now that these are products that we produce here. Fifty or sixty percent have no tariff at all and never have had a tariff. Therefore, these are on products substantially produced in this country. What you do is to determine a reasonable cost. The Tariff Commission can determine that reasonable cost, not

the highest or the lowest cost. You know, you are a farmer, you may raise corn 100 bushels per acre and the next one 25, there may be some difference. But you take your average or average overall when you are talking about your cost of production, and that is what they do in this tariff situation. They are equipped to find out this difference. But when you insert a condition as under the 1934 Trade Agreements Act, that one man can consider a political situation in a foreign country or any other situation that he cares to consider or that his people that do this work for him can consider—and we have a second and third echelon in a lot of these departments too—you find that the top men do not understand sometimes what comes up. But in a tariff commission there is a principle laid down. They are not entitled to say, "We will trade this industry for the other one."

Only Congress can say that, and Congress can say they will pick up that extra 50 cents a bushel for wheat and in a foreign market. I see no indication that they are going to change. Certainly I am very sympathetic with your problem and I am sure that the other 95 Senators are, too, but it is a separate problem. You cannot say, and you have not said—you have said the opposite—that you would not want to put an industry out of business that only had that duty that made up that differential of production and producing a substantial amount of that industry in this country, like glassware, for example, to trade that for the sale of wheat. You did not say that.

Mr. NEWSOM. Well, I did not say that we are willing to exclude all of any given product regardless of what kind of a tariff wall that might be involved.

Senator MALONE. Where do you get the tariff wall idea when it is expressed in language of this kind?

Mr. NEWSOM. Well, there is a tariff wall you will have to concede when we assess a 70- or a 90-percent duty against Japanese china or French china, a product that we would—

Senator MALONE. Have you been in China and been in Japan?

Mr. NEWSOM. I have not been in China but I have been in France where they are making this French Haviland.

Senator MALONE. I will tell you why, because in Japan and China they work for nothing, practically, 15 or 18 or 19 cents an hour and they are good workers and can duplicate any article on the market perfectly. Now I do not know what kind of a duty you need to equalize the wages of \$1.80 labor or whatever it is, to live and drink your milk. They live very simply.

Mr. NEWSOM. I know this, Senator, and I think it will clarify our position if it needs any further clarification. That we have not been totally happy at all, with the administration of the Reciprocal Agreements Act in the past. We think we have some reason to believe that agriculture has not fared as well as it should have fared under this circumstance. But as between the alternative of having no such authority as H. R. 1 seeks to provide, and having to try to live with the administration of that authority, as we expect to be able to do a little more successfully perhaps in the future than agriculture has been able to do in the past, our choice is very clear and easy. We want H. R. 1.

Senator MALONE. Well, now, let me see if I understand you. That is all I want to do, you see. I am not disagreeing with you here. I am trying to make the record so that we know exactly what you want. Then you are not satisfied with a Tariff Commission, an agent of Con-

gress, delegated to do a job on a principle of fair and reasonable competition and finding that difference of cost, and lowering the tariff whenever they may raise their wage and living standard in that competitive country, and if they lived like us, it would be automatically free trade, but you are not satisfied with that. You want someone who has the right—and of course you do understand that the President of the United States and his cohorts, whoever they may be, the Department of State principally—can on their own move, make a treaty that will cut the production of one product in this country or eliminate it in what they think is in favor of another product or political situation that they may find throughout the world. Now you understand that that is a basic difference, do you not?

Mr. NEWSOM. We understand that theoretically, at least, that is possible, but we likewise understand that from a political point of view it is completely impossible.

For example, we think the administration went completely in the opposite direction when they increased the tariff on watches made in central Europe, which is a pretty good customer for our tobacco. But we think the very fact that they did that may have been compelled to a larger extent than we knew and that that fact, in itself, is evidence that you have less to worry about from your point of view in this argument than I do.

Senator MALONE. How many of these products have succeeded in increasing their protection?

Mr. NEWSOM. I do not know the record on that.

Senator MALONE. A couple.

Now I do not know at the moment whether that duty was increased beyond that differential or not, but I think not. I think that that was not beyond what the Tariff Commission found. As a matter of second thought, I am sure that it was not beyond that.

Mr. NEWSOM. I am reasonably sure of the same fact.

Senator MALONE. So, as a matter of fact, you have a double situation there. You need very badly the trained workers these kinds of industries must have in case of war, in addition to the fact that while it may cost a little more for a watch made in this country, I am willing to wait until I have the few dollars extra to let these men work so they will buy these farm products to eat, and any product that I may have to offer, which was only an engineering service.

Mr. NEWSOM. That very act, in itself though, played the dickens with the Maryland tobacco market—I guess that is not appropriate language here.

Senator MALONE. That is all right, I know how you feel. I would like to use some of that sometimes. They eliminate it on me, but I think you are all right. Now what you do want then, you wanted to trade the watch market for the tobacco market, and I see your point and that is all I wanted to do, is to get it in the record.

Mr. NEWSOM. All right, sir.

Senator MALONE. I thank you very kindly.

Senator CARLSON. Mr. Chairman, I would not want this opportunity to pass by without expressing my personal appreciation for Mr. Newsom's appearance before the committee this morning. I know of no one that is more devoted to the cause of agriculture, its increase in foreign trade than the master of the Grange personally,

and of course he represents an organization that has been sound for many decades in this country. I could go into great detail on some of the problems that both he and I have discussed with regard to the export of wheat, and it is a real problem. I believe Senator Barkley asked the percentage of wheat we are exporting. It just happened in 1954 we produced about a billion bushels of wheat and we will export about 200 million which will be about 20 percent of the crop. We have exported as much as 30 or 40 percent of a crop, and it does make a real problem when you go into a commodity with a billion bushels practically on storage, so I sincerely hope that the master of the Grange will continue to work on this program for the exportation of wheat, on what we may, in simple language, say is a 2-price system. And I know it has some problems because we immediately run into the conflict of dumping. But at the same time it is one way to get rid of this subsidy which we hear so much about and with which we cannot export wheat at the present time.

I did not intend to make a speech but I did not want to let this pass by without commending him for the work they are doing and his appearance.

Mr. NEWSOM. Mr. Chairman, I certainly appreciate those remarks, but the Senator's reference to dumping strikes at the problem so deeply or so sharply that I want to say to you that if selling in the foreign markets at a truly competitive price, whether we were talking about wheat or automobiles or airplanes, can be construed as a dumping process, then I want to raise the question as to what in the world we are likely to have to label the process that we are likely to be engaged in if the marketing quota referendum actually fails this May or June or July—as it nearly did last July—and we see our support price of wheat automatically dropped to a point some 60 to 70 cents below the present world market with our Government sitting here on top of a billion bushels of wheat.

Now I concede that we have got a terrifically difficult proposition to change programs or even to maintain the present program in the face of the present circumstances, but when the Secretary of Agriculture goes before the House Agricultural Committee and says that on the basis of our present supply, we probably ought to reduce American production of wheat not from 78 million acres down to 55 million acres, but down to 19 million acres, I say to you that we are in real serious danger of forcing agriculture to lead the total American economy into a tailspin that we just cannot stand. So there is some compulsion about a realistic facing of this situation of providing some market for wheat outside of the United States that we may not be forced to ruin the whole wheat economy by something close to a 19-million-acre allotment.

Senator CARLSON. You have just brought up a problem that is facing this Nation, especially the wheat growers and I do not believe there is anyone in this Nation that thinks that we could operate a sound economy nationally on 19 million or 20 million acres of wheat.

Mr. NEWSOM. I certainly do not.

Senator MALONE. Mr. Chairman, I would just like to join with the Senator from Kansas in appreciation of Mr. Newsom's testimony. I think he has been very fair in his remarks and I certainly would like to talk to him further.

The CHAIRMAN. We certainly thank you, sir. I have been a member of the Grange in Virginia for nearly 40 years.

Mr. NEWSOM. We are keenly aware of that and proud to claim you, Senator.

The CHAIRMAN. It is one of the finest organizations in the country. Thank you.

Senator BARKLEY. I would like to put in my word there. I am not a member of the Grange but am a member of the American Farm Bureau Federation which is closely associated with that organization and I not only appreciate the intelligence of your presentation here but your stamina in standing by in the face of cross-examination.

The CHAIRMAN. Thank you very much, sir.

Mr. NEWSOM. Thank you.

The CHAIRMAN. Former Congressman William S. Bennet. We are very glad to have you, sir.

STATEMENT OF WILLIAM S. BENNET, BENNET, HOUSE & COUTS, NEW YORK CITY, N. Y.

Mr. BENNET. I am appearing wholly for myself. I do not represent any client. I am receiving no fee and do not expect to receive anything whatever directly or indirectly except the opportunity of addressing this committee.

I would like to say a few words about one obstacle to exports which I think this committee ought to consider. I do not see how it has any political angle at all. In the twenties, as Senator Barkley knows, I was the vice president and general counsel of the Edwin Hines associated lumber interests in Chicago.

We were the second largest lumber exporters in the United States, and while I mention Senator Barkley's name, I want to say this: He knew Edward Hines, the head of the organization, and I want to say to this committee that it is owing to Senator Barkley and Edward Hines that, after World War I the Congress of the United States authorized the erection of the veterans hospitals in the United States. It is an amazing thing that the fight had to be made but Senator Barkley made it. He wanted a hospital at Dawson Springs and he got it.

Senator BARKLEY. They are trying to abolish it now.

Mr. BENNET. They are, but you cannot tell what people can do, can you?

Senator BARKLEY. The Hoover Commission has recommended that it be closed.

Mr. BENNET. Well, I think they are wrong.

Mr. Hines wanted the opportunity to contribute \$2 million of his own money to the erection of a veterans hospital in Chicago with only two conditions, one of which was that the hospital should not be named after his son Edward Hines who had died in World War in Europe.

The other was (and it sounds rather peculiar for a lumberman) that there should be a provision in the bill that every hospital built for veterans should be built of fire-resistant materials. He got the opportunity and spent \$2 million and one of the finest hospitals in the world was built in Chicago. And every American veteran hospital was built with fire-resistant materials including Dawson Springs.

Senator BARKLEY. You have a good memory.

Mr. BENNET. It was an important thing to remember.

I know from my experience in the exporting business in 1920 that it is full of difficulties.

It is much more difficult today than it was then. But even then in relation to some foreign countries we had to sell on what was known as an FSA basis, free-along-side, that is, our lumber was paid for in gold in Gulfport, Miss. before we loaded a stick on a ship. There were some countries in Europe where they had reliable banking facilities where we could sell on bill of lading, draft attached, and there were some like England where we could sell freely on a 6 months' basis and get our money. Now there is only one organization in the United States that has had the courage or the foresight or whatever you might call it to give out a statement about the dangers, the difficulties raised by the lack of convertibility of foreign currencies, and that is the National City Bank of New York. I want to read just two paragraphs about what one big organization had had to do and then ask leave of the committee to print the whole article, which is short. They said:

What inconvertibility means in a practical way to businessmen was brought out vividly in a speech by William J. Haley, recently retired president of Esso Export Corp., before the Boston Conference on Distribution 2 weeks ago. In one transaction, he related, a French company was supplied with oil which was partly paid for in francs. Esso in turn used some of the francs to buy steel pipe which it sold to a refinery in Aruba, Netherlands West Indies, for dollars. The remaining francs were exchanged for English pounds sterling. Esso then arranged through the British Food Board to buy frozen jackrabbits in Australia and later sold the meat to a commissary in Aruba—again for dollars.

This shows what an enterprising firm that wants to sell and get paid can accomplish. It also suggests the wastes of time and effort—the inefficiencies of distribution—that inconvertible currencies force upon the community. Many firms simply do not have the volume of business and the financial and trading talents to go all the way around Robin Hood's barn to effect a sale abroad. The manufacturer and the merchant should not have to undertake what convertible currencies in freely functioning foreign exchange markets can do with infinitely greater speed and efficiency.

May I have this all go in the record?

The CHAIRMAN. That will be inserted in the record.

(The material referred to is as follows:)

[From the bulletin National City Bank of New York, November 1954]

CONVERTIBILITY POSTPONED

At its ninth annual meeting, held in Washington 5 weeks ago, the International Monetary Fund was described by the presiding officer, Finance Minister van de Kieft of the Netherlands, as entering a period of crucial importance. The postwar transitional period, he stated, during which most member countries could not be expected to do away with currency restrictions, "is now clearly drawing to an end." In fact, this transitional period, originally conceived to run 5 years from March 1, 1947, when the fund began operations, lapsed on March 1, 1952.

The annual meeting disappointed hopes of early actions toward restored convertibility. It did afford opportunity for exchanges of ideas, crystallization of thinking, and expressions of determination to proceed toward the goal.

It will be recalled that it was the high promise of the fund to bring a new era of freedom to world trade in the postwar world by making one nation's currency as good and as useful as another's. Out of the 57 members nations, no less than 47 continue to limit the usability of their currencies by imposing restrictions on the making of payments and transfers for current international transactions.

This they were not supposed to do, without the approval of the fund, under article VIII of the fund's statutes which recites the "general obligations of

members." The continuing prevalence of exchange restrictions is not due to fund appropriation but is based on article XIV of the statutes which authorizes members, "notwithstanding the provisions of any other article," to maintain such restrictions in the postwar transitional period. While, after the first 5 years, the member nations have been required to "consult" with the fund as to further retention of exchange restrictions, the consultations so far have succeeded only in reminding members of the paramount objective and the means to resolving balance of payments difficulties.

THE STERLING PROBLEM

Sterling remains the key to the convertibility puzzle. As sterling goes, so will go a dozen other currencies. Many people were hopeful that the British Chancellor of the Exchequer, Mr. R. A. Butler, would use the occasion of the Washington meetings to confirm hopes that next spring might see a merging of "American account" and "transferable account" sterling into one international trade pound, capping the long drive toward that objective over the past 3 years.

The London Economist for September 11 had given forewarning that this perhaps was not to be. Quoting the Economist: "The latest economic report of the Trades Union Congress, in its search for some grounds for criticism of Tory financial policy, leaned heavily on the view that the removal of controls had already left Britain excessively vulnerable to fluctuations in world markets"—thus inviting a run on sterling in anticipation of the next general election which might find a victorious Labor Party clamping on new restrictions. The Economist cited apprehensions in the Conservative Party that removals of import restrictions associated with convertibility would lose customers for British goods.

On the other hand, as the Economist notes, there is the question whether sterling can survive as an international currency if it suffers the double disadvantages of remaining inconvertible and subject to devaluations when ill winds blow.

MR. BUTLER'S STATEMENT

At the Washington meeting Mr. Butler introduced other considerations favoring a delay in moves to convertibility. "We need time," he said, among other things, "for the consideration of the many intricate problems facing Europe" and "for trade liberalization to develop." Agreeing that there were dangers in continuing too long exchange restrictions countenanced by article XIV of the fund, he recommended "that the executive directors should be asked to study during the next several months the conditions for and the possibility of a move from the transitional provisions of the fund to the more permanent arrangements." At the same time he expressed doubts that the reserves of gold and dollars outside the United States were adequate for a decisive move forward to convertibility.

In a speech before the National Press Club in Washington, Mr. Butler asserted that "it is our fixed determination to go ahead, firmly and patiently, toward freeing trade and freeing the currencies" and applauded the "remarkable success" of efforts to prevent the American business recession "from having its multiplier effect on the Commonwealth and European economies." He observed how the American defense expenditures abroad and various aid programs have "filled and overfilled" the dollar gap and "for the time being exorcised the persistent bogey of dollar shortage abroad." But he expressed his belief that a long-term balance in international payments "should owe more to the firmly rooted and natural processes of trade, commerce, and investment," and urged the United States to ease customs procedures, accept more imports of European manufactured goods, and increase new investments overseas to \$5 billion a year. "The paths of restriction," Mr. Butler said, "lead but to the grave. The prizes of expansion, freedom and harmony can be won only if we each make contributions."

Spokesmen for other nations, obviously readied for affirmative action, evinced disappointment that Mr. Butler laid such stress on needs to delay. Dr. M. W. Holtrop, president of the Netherlands central bank, citing the optimistic appraisal of the prospects for convertibility in the fund's annual report, spoke critically of the "atmosphere of hesitancy and frustration." Dr. Wilhelm Vocke, president of the board of managers of the West German central bank, expressing himself as being in general agreement with Dr. Holtrop's remarks, stated that Germany is prepared "at any moment" to join in establishing convertibility for current accounts of nonresidents, and pointed to the real objective further

ahead of convertibility for all accounts. In a press conference on September 29, Dr. Ludwig Erhard, West German Minister of Economics, denied any intention to embark on convertibility alone but stated that Germany will continue a step-by-step process until it is no further from convertibility "than the thickness of a sheet of paper."

BENEFITS OF CONVERTIBILITY

Speaking for the United States, W. Randolph Burgess, Under Secretary of the Treasury for Monetary Affairs, focused attention on the broad benefits of convertibility, predicting that:

"When it does come, convertibility will foster a firmer financial foundation for the balanced growth of international trade. It will help provide an environment in which capital may move more freely across international boundaries into genuine long-term investment.

"To accomplish this purpose, currency convertibility must be accompanied by a dismantling of discriminatory restrictions on trade and by elimination of the use of quantitative restrictions for balance of payments purposes except in special circumstances."

Mr. Burgess acknowledge that, in pursuing these objectives, "all countries have major responsibilities" including countries whose currencies are presently convertible as well as those which have yet to move to convertibility. He urged the importance of having the broadest possible participation in a major move to convertibility, and reserving the resources of the fund to offset speculative movements of funds and temporary adverse shifts in trade. "It would seem clearly desirable," he said, "that a country seeking assistance should come to the fund with a program of the positive steps it proposes to take in moving to convertibility":

"Such a program would encompass its exchange rate policies, its policies for maintaining internal financial stability, and its plans for eliminating discrimination and reducing restrictions in its trade and payments arrangements. An effective program would also give assurance of maintaining the revolving character of the fund's resources."

Some nations have hardly known what it is to have currencies that are convertible at stable exchange rates and that can be trusted to remain convertible at stable exchanges for an indefinite future. The inconvertibility of European currencies is a product of the upheavals of the depression period and World War II, to be endured until governments have mastered their financial problems and given firm values to their currencies.

On this continent currency convertibility is taken for granted. Canada abolished wartime restrictions in 1950. The Mexican peso has depreciated on occasion but the right of convertibility has been protected. The American citizen's right to send or spend his dollars abroad is one that rarely has been compromised. The prestige of the dollar rests on a three-legged stool of prudence in public finance, productive and export-competing power, and unrestricted convertibility for citizen and foreigner alike.

PROBLEMS OF INCONVERTIBILITY

What convertibility means in a practical way to businessmen was brought out vividly in a speech by William J. Haley, recently retired president of Esso Export Corp., before the Boston Conference on Distribution two weeks ago. In one transaction, he related, a French company was supplied with oil which was partly paid for in francs. Esso in turn used some of the francs to buy steel pipe which it sold to a refinery in Aruba, Netherlands West Indies, for dollars. The remainin francs were exchanged for English pounds sterling. Esso then arranged through the British Food Board to buy frozen jackrabbits in Australia and later sold the meat to a commissary in Aruba—again for dollars.

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MR. BENNET. I call attention to the fact that neither Great Britain nor France has convertible currencies, and the fact is that out of 70

trading countries in the world, fewer than 15 have convertible currencies, and some of them like Haiti and the Dominican Republic, and so forth, are small countries, so it is very, very difficult to export these days.

Having practiced law continuously in New York City since 1893 I have—except for the time I served in the House of Representatives in the 59th, 60th, 61st, and 64th Congresses and for the time between 1920 and 1931 when I was vice president and general counsel of an organization with offices in Chicago—advised clients successively as to matters arising under the Tariff Acts of 1890, 1894, 1897, 1909, 1913 and 1930.

I do not recall advising clients as to anything under the 1922 act but my New York City firm may have, and I think did, advise firm clients.

I also took part in the House debate on the 1909 act and appeared before subcommittees of this committee in connection with both the 1913 and 1930 acts. In addition, and particularly between 1918 and 1932 had a good deal of experience in connection with trade associations having to do with lumber, coal and short-line railroads.

Now I interpolate a little bit. When I was a member of the United States Immigration Commission appointed by the Congress in 1907, there were 9 of us and we had 9 different views on the immigration question. So we held a meeting and adopted a motto which was, "We are not afraid of any fact." And we assembled a force of 200 employees, experts and so forth. We were doing this all with the immigrant's money and not with the Government money, it came out of the head tax, and gave our staff that instruction. It was carried out, and anyone who wishes to study the immigration facts can start with our report which was made in December 1910.

I think that is the correct attitude for any congressional committee, that they ought not to be afraid of any fact. Their opinions are their own.

Briefly, my thoughts are as follows:

1. Secretary Dulles in Asia last week said that any country has the right to protect itself by a tariff. He is correct.

2. 32 countries—Bolivia, Ecuador, Guatemala, Peru, Mexico, Finland, Norway, Israel, Lebanon, Syria, Egypt, India, Thailand, Ceylon, Australia, Jordan, United Kingdom, Dominican Republic, Ireland, Belgium, Brazil, Cuba, Denmark, France, Haiti, Italy, New Zealand, Sweden, Union of South Africa, Uruguay, Costa Rica, and West Germany have all recently increased their tariff rates. The taxing units of St. Pierre and Miquelon have done likewise. Why should the United States, which has decreased its tariff rates 68 percent since 1937 further decrease its rates now? In this connection Chile, Venezuela, and the United States of Colombia have each made both increases and decreases in tariff rates during this same period.

3. As many of these 32 countries ascribe their increases to depreciation of their respective currencies, why should not the United States, which depreciated the value of its currency in 1934, now increase its tariff rates because of that depreciation?

4. If 34 competing countries, and tariff units, increase their respective tariff rates why should the United States decrease its?

5. As the United States, through its payments to the United Nations, contributes to the expense of maintaining GATT, why should

not this committee demand that GATT publish the figures affecting trade and investment matters which the New York Times' Geneva, Switzerland, correspondent says that GATT collected but probably will not publish? See dispatch of Michael L. Hoffman headed "Flight of Capital to United States Continues," appearing in the New York Times of January 2, 1955.

6. As the newspapers report that the Senate has in its possession an important report from the Tariff Commission, made in compliance with an order from the President, why does not this committee defer action on H. R. 1 until the Senate makes that report public?

7. Has either branch of the Congress the right to legislate on a particular subject as to which it is known to have important information, without disclosing that information to the public?

8. As Congress cannot delegate its powers and as the National Industrial Recovery Act was twice, in whole or in part, declared unconstitutional for the reason that it attempted to make such a delegation—*Panama Refining Company v. Ryan* (293 U. S. 388); *Schechter v. United States* (298 U. S. 495)—why does not this committee investigate the constitutionality of the proposed delegations of power to the President contained in H. R. 1? To me, as a lawyer, the bill seems to have been very recklessly drawn. I have, on my own copy, marked 20 distinct phrases as unconstitutional delegations of power. The minority views in the other body on H. R. 1 indicate many more.

If their provisions are unconstitutional and the President acts on them by either increasing or decreasing tariff rates the result will be that there are no collectible duties on such rates so increased or decreased.

9. If the acts of the President under the power conferred by H. R. 1 are suggested as legal, there seems to be only these things that the President cannot do in relation to tariff rates:

- (1) He cannot transfer any item from the free list to the dutiable list or from the dutiable list to the free list.
- (2) He cannot increase any present rate above 50 percent.
- (3) He cannot decrease any present rate more than 15 percent in the aggregate.
- (4) He cannot fix any rate on a new item or put it on the free list.

The possibility that he might utilize the N. S. P. F. provision in the 1930 act as a starting point is not overlooked.

If this is correct it is, as Judge Cardozo said in *United States v. Schechter, supra*, speaking of a delegated power, "This is delegation running riot."

10. If the New York Times article of January 2, 1955, heretofore referred to, is correct and so-called undeveloped countries are investing hundreds of millions of dollars annually in the United States, which might be invested in the industries of their own respective countries what duty, if any, does the United States owe to any country, the citizens of which do not invest in their own industries, but send their money to the United States for investment in our industries? If they will not invest in their own industries, why should United States citizens?

11. The President of the United States in his message to Congress of January 10, 1955, said, in a modified way, that if the United States does not buy it cannot sell. If this were so, how does it come that since,

at least, 1893—61 years—the dollar value of our exports, with the possible exception of one year, has exceeded the dollar value of our imports each year?

12. Does not every well-informed person know that international trade figures must always balance, and that adverse merchandise balances between this country and all other countries are paid by other items of those countries—gold, silver, our tourist expenditures; ocean freights, immigrants' remittances; insurance premiums; interest and dividends on American securities held abroad and in several other ways. There are always merchandise differences. A dollar gap in international trade is an impossibility.

13. When we discuss our relations with other countries ought we not to remember, and, if necessary, to state, that nearly two-thirds of our imports from other countries come into this country entirely free of duty?

14. Our average tariff rate on our dutiable imports alone is about 12 percent, the lowest, possibly, since about 1815—140 years.

15. I call the attention of the committee to the Taylor report made by a committee during President Truman's administration. This report says, frankly, that European nations would sell more goods in this country if they were better merchandisers; that they limit their efforts quite largely to the Atlantic Coast States. This is a matter of common knowledge.

I never saw a foreign agent in my 10 years in Mississippi. I never saw a foreign agent anywhere in the State trying to sell us anything. Every big store in every big city in this country sends its own buyers to Europe to buy goods, also, there is a possible lack of working capital in Europe to handle a much larger business in the United States.

16. I also call the attention of the committee to my testimony before the Ways and Means Committee in the 83d Congress, on the general subject of the tariff—page 381 et seq., April 30, 1953.

17. The State of Rhode Island is greatly interested in the present situation relative to the tariff on textiles. See statement of Representative Forand, Congressional Record, February 18, 1955, pages 1467 et seq.

18. Our present overall tariff level is 5.1 percent. This is the rate on our total imports both free and dutiable. The only countries having lower overall rates were Japan, Denmark, Belgium, Luxembourg, Argentina, Sweden, Norway, and the Netherlands. Assuming that our present financial condition, generally described as prosperous, is due in whole or in part to the tariff reduction by 68 percent since 1937, what proof is there that further reduction on tariffs would also be beneficial?

Just one thing more. We have had 26 tariff revisions in this country. One of the reasons why I joined with Woodrow Wilson, Robert M. LaFollette and William H. Taft to try to establish the Tariff Commission was that I realized what distress we had in business every time that the tariff came up in Congress for general revision. Whether it was brought up by the Democrats or brought up by the Republicans the effect on business was bad. And we figured out, and I think correctly, that if we had a tariff commission, it could do a great deal to do away with those disturbances to business that came so frequently. And I call attention of this committee to the fact that the Tariff Act of 1930, the present law has been on the statute books for 25 years,

which is longer than any other tariff bill in history was ever on the statute books.

Of course, as far as its rates are concerned, 95 percent of them have been changed by GATT, but the general provisions of the Tariff Act of 1930 remain as they were.

I thank the committee.

The CHAIRMAN. Are there any questions?

Mr. BENNETT. Oh, I nearly forgot something. I would like to put into the record this article that I referred to, *The Flight of Capital to United States Continues*, and also a portion of a letter that I wrote to President Eisenhower on March 1, 1955, asking him if he would not ask GATT over in Geneva to give us the information that the New York Times says exists.

(The articles referred to follow :)

[From the New York Times, January 2, 1955]

FLIGHT OF CAPITAL TO UNITED STATES CONTINUES—GATT STUDIES INDICATE IT IS A BASIC CAUSE OF CHRONIC DOLLAR CRISES ABROAD

(By Michael L. Hoffman)

GENEVA, December 29.—While President Eisenhower and Congress are being advised to make it easier for American capital to move abroad, economists here are worrying about the persistent tendency of capital to move the other way.

World trade seems to have settled into a pattern much less likely to produce huge dollar shortages—at least as long as the United States keeps spending 3 to 4 billion dollars a year abroad for the pay of troops and for other purposes.

Not so the movement of international capital, if studies by the Secretariat of the General Agreement on Tariffs and Trade (GATT) confirm preliminary findings. Indeed the irresistible urge of foreign capital to employ itself in the United States emerges as the chief cause of whatever dollar shortage there may have been since 1926 (leaving out of account the war-dominated years 1938-45).

This conclusion has been reached after an extensive new look at the pattern of payments between the United States and the rest of the world in four periods: 1926-30 (boom), 1931-37 (depression), 1946-49 (postwar) and 1950-53 (post-devaluation of many currencies in relation to the dollar).

In all except the period 1931-37, the United States had a substantial surplus on current account, excluding unilateral transfers such as Marshall aid. In 1931-37, the total of world trade was drastically curtailed by depression, and the United States surplus dropped to practically nothing.

But in the periods during which there was a surplus on account of trade, tourism and other items, net private capital exports from Canada and the United States or Government-aid expenditures supplied all or more than the dollars necessary for the rest of the world to balance its dollar accounts.

Were these factors alone considered, no dollar shortage would have arisen.

It is generally known that in the period 1931-37 there was a tremendous flight of European capital to the United States. The GATT economists find strong evidence that the disturbing influence of such movements extends over the whole period and is a dominant factor in the periodic difficulties other countries have in procuring enough dollars.

DATA ARE DYNAMITE

The policy implications of these new studies, some of which are based on new data, are substantial and highly controversial. Indeed, they contain so much dynamite that it is highly unlikely the study will ever be published as an official paper.

The studies emphasize, for one thing, that the very countries that assert the duty of the United States to help them with capital investments have been pouring hundreds of millions of dollars a year of their own investment funds into the politically secure United States capital market.

The studies also throw considerable doubt on the thesis that lowering the American tariff is essential to the establishment of better balance in world trade.

Larger American imports would, of course, make more dollars available to the world for whatever purpose the world wanted to use them.

But if capital movements into the United States rather than the trade in balance are the chief cause of so-called dollar shortages, they could easily be made out as the villain responsible for the economic disorder by those interested in maintaining or increasing barriers to competitive imports.

EXTRACT FROM LETTER OF WILLIAM S. BENNET TO PRESIDENT EISENHOWER
DATED MARCH 1, 1955

Lack of action on the part of Gatt as reported in a dispatch of their special correspondent Michael L. Hoffman under date of December 29, 1954 appearing in the Times on January 2, 1955 imposes what looks to me like an imperative duty on the President of the United States. Everybody in the country knows that you are anxious to be in possession of all the fact on every economic question affecting the country. This article which, of course, is available to you records a recent action of Gatt, which the Times says: "they contain so much dynamite that it is highly unlikely that the study will ever be published as an official paper." It is true that the study apparently produces facts which are directly opposite to the advice which you have been giving to the American people but I know that you would not put that reason in opposition to the ascertaining of facts. The Congress of the United States is helpless as they have gone on record as having neither approved nor opposed Gatt and thus washed their hands of responsibility but that does not relieve the President of the United States of responsibility. Our people are entitled to the facts. The study seems to have been intensive, therefore, my request is that you, either directly or through the State Department, or whatever American body is in touch with Gatt ask that body to publish the results of the study even though Mr. Hoffman states "The studies also throw considerable doubt on the thesis that lowering the American tariff is essential to the establishment of the better balance in world trade."

The CHAIRMAN. Are there any questions?

Senator MALONE. Mr. Chairman.

The CHAIRMAN. Senator Malone.

Senator MALONE. What is the reason for this flight of capital from foreign countries?—

Mr. BENNET. Because we have got a better form of Government in this country. Their money is safe here.

Senator MALONE. Then it would follow that any capital from the United States going to these countries would need these special concessions possibly under H. R. 1 to have any notable success, is that right?

Mr. BENNET. I do not think there are any concessions in this H. R. 1 that would help foreign capital in any country of which I have knowledge. If you are sending your money abroad you have got to depend on the government of that country, and we cannot do anything about that.

Senator MALONE. Some of our investors are going to these countries where there are lower wages and advocating lower tariffs, so presumably they can ship the goods back here.

Mr. BENNET. England is advocating two things. First, that each year the United States invest \$5 billion in foreign countries, and second, that we lower our tariffs. In the meantime theirs should remain as they are.

Senator MALONE. You have made a very intelligent approach to this problem. I, myself, have often wondered since I have been a Member of the most exclusive body in the world, why we did not study

the situation in foreign countries before we decided to give our money to them and give them concessions.

Now you made a very interesting remark earlier in your testimony, that there is no such thing as a dollar shortage.

Mr. BENNET. There cannot be.

Senator MALONE. I have argued that question for eight long years on the Senate floor. This is the ninth year. That you can have a dollar shortage if you fix a price on your currency in dollars higher than the market price, that is to say, a normal person will not pay it.

Mr. BENNET. Well, that might be a possible exception. But the ordinary transaction, you can have merchandise gaps and they are paid for by the things that I stated. But the dollar gap is just an expression in words, that is all.

Senator MALONE. Well, isn't it another catch phrase like "trade, not aid" and all of these catch phrases—most of them come out of London but some may come from other foreign countries—that we lived by for 22 years?

Mr. BENNET. Yes, there is no doubt about that.

Senator MALONE. Then we mouth these phrases and believe them to be true?

Mr. BENNET. Not all of us.

Senator MALONE. I am talking about the majority.

Mr. BENNET. You are talking about those who do believe them.

Senator MALONE. Those that vote for the kind of a thing that is before us today.

Mr. BENNET. That is a little bit too broad a question but there are those who do believe them; yes.

Senator MALONE. Do they believe them or just do not investigate them?

Mr. BENNET. Both.

Senator MALONE. They believe them because they do not investigate them.

Mr. BENNET. Right.

Senator MALONE. Well, now, if that is true, that there can be no dollar shortage in trade—and I believe that. I have been in the engineering business for 30 years and industrial engineering for half of that time and I believe that—then what we are really trying to do is to force more trade in an uneconomic manner and making up the difference ourselves, either in cash or lower duties.

Mr. BENNET. I think that is essentially correct.

Senator MALONE. And whenever we lower a duty below that differentiation of cost of production of an article under our standard of living and cost of doing business and in a chief competitive nation, we certainly injure an industry, do we not?

Mr. BENNET. Ordinarily, yes.

Senator MALONE. Well, there are exceptions?

Mr. BENNET. If we import something that we ourselves do not and cannot produce. Well, they all come in on the free list anyway.

Senator MALONE. You are correct. It seems to me I have found a friend in need. I have tried to explain this on the Senate floor perhaps 100 times, and it is my lack of ability to explain it, I think, that has something to do with my failure to stop this kind of an operation.

Mr. BENNET. Well, your State keeps on reelecting you and you are a young man. Keep it up.

Senator MALONE. Thanks for the compliment.

Now I am very glad that you explained why the Tariff Commission was established. You see, we have raised an entirely new generation, 2 of them since we have had this policy, and men that are now 40 or 45 years old have not experienced during their adult life any other principle, so they seem to think that you have to pass something. Now you explained why the Tariff Commission was adopted and I have tried to explain it on the Senate floor, I have tried to explain it here in this hearing and in past hearings, that when it reverts to the Tariff Commission, which it does 1 minute after midnight the 12th of June if this act is not renewed, that any product that carries a tariff on which there is no trade agreement reverts to the Tariff Commission under the 1930 law; is that correct?

Mr. BENNET. I will take your word for it. I have not read it.

Senator MALONE. If you find any difference and I hope you investigate it, will you send word officially to the committee?

Mr. BENNET. I will do that.

Senator MALONE. In other words, all the products which carry a tariff and on which no trade agreements apply revert automatically 1 minute after midnight on June 12th to the policies laid down in the tariff law of 1930, that is on the basis of differentiation in cost of production.

Mr. BENNET. I think if you will phrase the question to say "then come under the jurisdiction of the Tariff Commission" I would agree with you.

Senator MALONE. That is right. Perhaps my explanation was poorly made.

Now then, the way this Trade Agreements Act is written, any trade agreement that is in effect now will also revert to the Tariff Commission 6 months after the President of the United States serves notice upon that country for cancellation.

Mr. BENNET. I would be inclined to think that was accurate. I am not sure about the 6 months. I will take your word for it.

Senator MALONE. Well, if you find any difference in this colloquy, I hope you will inform the committee officially.

Mr. BENNET. At midnight on the 12th of June unless this bill is passed everything comes back under the jurisdiction of the Tariff Commission.

Senator MALONE. Unless there has been a trade agreement made, and then it is necessary that that be canceled by notice of the President to the country with which such agreement has been made.

Mr. BENNET. Yes.

Senator MALONE. And I think I am right in the six months time limit. Then it comes back to the Tariff Commission. In other words, it is canceled within 6 months following the notice. Then, if the President should cancel all of the trade agreements, they are all back under the 1930 act. Duties fixed by that act are adjusted up or down in accordance with the provisions of the act, the difference in the cost of production in this country and the chief competitive nation; is that right?

Mr. BENNET. That seems to be correct.

Senator MALONE. I know you are a lawyer because you are very careful about your statements and I am glad that you are.

Now you have heard some of the cross-examination of witnesses and all I have tried to do is to complete the record. The people that support this act want to continue the principle that there can be other factors, political factors, international political factors, and the overall economy of this Nation and many other factors included in determining what the duty shall be; is that right?

Mr. BENNET. Well, why should there be?

Senator MALONE. I am not for that but under this act the people that support the thing must believe it because that is what that provides; does it not? That the President can fix any duty he sees fit if he thinks he is justified by the political situation, international political situation, or the overall economy of the United States?

Mr. BENNET. Well, that is so completely unconstitutional that I do not think any lawyer in the United States believes it.

Senator MALONE. Well, unconstitutional or not we have followed that for 22 years; 21 years may be a little more accurate but we are on the 22d year.

Mr. BENNET. This is worse than anything in the present law, what is in here.

Senator MALONE. Well, it is not very much worse except that it allows them to continue to reduce the duty further by another 5, 10, or 15 percent a year.

Mr. BENNET. I have marked 20 places there where——

Senator MALONE. Most of those apply to the act now in force; do they not?

Mr. BENNET. Some of them do; yes.

Senator MALONE. Well, now, are you aware that on Monday of this week the Morgantown Glassware Guild, Inc., filed a suit?

Mr. BENNET. Yes.

Senator MALONE. Against the Secretary of the Treasury on exactly the ground you brought up, that he is collecting the wrong duties? He is not collecting the duties by law?

Mr. BENNET. I knew that they brought a suit, but I did not know the grounds on which they brought it and I am very glad to learn them.

Senator MALONE. I refer you to Congressional Record of February 28, that is Monday, and on page——

Mr. BENNET. I have it and I will look at it.

Senator MALONE. On page 1865 I started an address, and while I was on the floor the suit was filed, and I think it is very well outlined in the address and I would be very happy to hear from you.

Mr. BENNET. I will write you a letter about it.

Senator MALONE. Of course that is in the court now and the court will decide whether it is constitutional or not.

Mr. BENNET. Wait a minute, there is a preliminary question the court will have to decide, whether the allegations of their complaint make out a case, a cause of action.

Senator MALONE. Well, I am assuming that the attorneys who have filed the suit for their client will be successful in staying in court.

Mr. BENNET. I express no opinion on that until I have read it.

Senator MALONE. You read it and give me an opinion.

Mr. BENNET. Yes.

Senator MALONE. Now we underwent a period there from 1933 to some considerable time later when constitutionality was not considered a very serious question; did we not?

Mr. BENNET. I think so.

Senator MALONE. At least a President of the United States used to say on occasion, "Whether it is constitutional or not, pass it."

Mr. BENNET. So I have heard.

Senator MALONE. Well, I so heard and I was out there in my private engineering business and about the time a client thought he was going to make some money, the State Department would announce a different tariff and they were broke. So one of the reasons I ran for the Senate was I just got so mad at the State Department breaking industries and people in the State and throughout the country, without a proper hearing according to law, and there was no basis of investing private capital because the principle upon which tariffs had been based to encourage investments had been destroyed.

Mr. BENNET. You are referring now to the administration of the late Franklin D. Roosevelt?

Senator MALONE. I am referring to the administration of the 1934 Trade Agreements Act. I submit that the 1934 Trade Agreements Act inaugurated a new principle of determining tariffs.

Always before you had some idea that the duty, if you could make your case, would in some measure represent the differential in the wage standard of living and the cost of doing business here and in your chief competing nations.

Mr. BENNET. I have not given that sufficient thought to be able to say yes or no. It is a pretty broad question.

Senator MALONE. Well, that is the principle of the 1930 Tariff Act, is it not?

Mr. BENNET. Yes.

Senator MALONE. And that covers 25 years?

Mr. BENNET. Twenty-five years; yes.

Senator MALONE. Well, that has been the law.

Mr. BENNET. Say that question of yours again.

Senator MALONE. I simply asked you if the principle were not changed from a question of establishing duties approximately representing the differential in the wage standard of living cost, taxes and other factors here and in the chief competitive nations on each product that carries a duty; wasn't the principle changed by the 1934 act to allow other factors to be inserted, political situations and overall economy, that had nothing to do in any particular industry with that difference?

Mr. BENNET. By the Tariff Act of 1930?

Senator MALONE. No. They practically nullified the Tariff Act of 1930 by inserting in the 1934 act these other factors.

Mr. BENNET. Oh, since, you mean?

Senator MALONE. Yes.

Mr. BENNET. Oh, yes.

Senator MALONE. In other words, it never was really carried out, the 1930 Tariff Act?

Mr. BENNET. No.

Senator MALONE. I will not go into the amount of abuse that was showered on the heads of the people that set those duties, but at the

same time while setting the duties they provided a definite mode for adjustment if they proved too high or too low, did they not?

Mr. BENNET. Yes.

Senator MALONE. Section 336?

Mr. BENNET. Yes, that is right.

Senator MALONE. But that section 336 was amended and nullified by the 1934 Trade Agreements Act?

Mr. BENNET. Yes.

Senator MALONE. So that you could not depend on it?

Mr. BENNET. Yes.

Senator MALONE. Now lack of convertibility of foreign currency as I understood you to say, was the chief bugaboo in exchange of articles and in dealing with foreign nations?

Mr. BENNET. Not the chief. I have no way of estimating.

Senator MALONE. Well, it is one of the bugaboos?

Mr. BENNET. It is very serious.

Senator MALONE. Yes, now what is the difference between convertibility on the open market, and nonconvertibility?

Mr. BENNET. I will read it out.

Senator MALONE. I would like for you to. My own language is of the rather blunt kind that is developed in the engineering business. It is not a finished product that you develop in the attorney field.

Mr. BENNET. A country is listed as having a convertible currency when it has no exchange controls.

Senator MALONE. Then any country can set— as currency is made convertible by the simple operation of withdrawing or not financing it in the first instance—a price on their currency in dollars higher than the market price?

Mr. BENNET. That would go part of the way. But they would have to take off all other exchange controls.

Senator MALONE. Exchange permits?

Mr. BENNET. Yes.

Senator MALONE. And other controls?

Mr. BENNET. Yes.

Senator MALONE. But generally speaking for the language of the street, the thing that makes it nonconvertible generally is the fact that the price is fixed in dollars above the market price?

Mr. BENNET. I do not know. All I know is that unless, including what you put into your question, they remove all exchange controls, their currency is not convertible.

Senator MALONE. I will include them because you are right.

Mr. BENNET. Yes.

Senator MALONE. I have said that perhaps 200 times on the Senate floor. In other words, they bring about their own trouble by financing this price, exchange controls and other manipulations in regard to their currency?

Mr. BENNET. Yes.

I possibly think they have to. They are the masters of their own fate.

Senator MALONE. Well, if they have to, then why is it necessary or why is it mandatory on us to divide our wealth with them to the extent that they could have free convertibility?

Mr. BENNET. It isn't. Not from the way I look at it.

Senator MALONE. Well, what would be the end result? This is the question in which I am particularly interested. What is the end result if we keep furnishing them money to the extent that they think they can have free convertibility and free trade for markets, furnish them our markets to market the stuff which they produce more of than they can consume in their own country, what is the end result if we follow that through to a logical conclusion?

Mr. BENNET. We had gone broke.

Senator MALONE. We had gone broke all right, but wouldn't we end up with the same living standard they have? Wouldn't that mean an average of the living standards of the world?

Mr. BENNET. Yes, our standard of living would go down.

Senator MALONE. Will you explain that further? I have tried to explain it 50 times on the Senate floor, that there can be only one result. When we continue giving them billions of dollars, because they have this synthetic dollar shortage due to this manipulation of their money values and various controls, that if we continue to give them the money and we furnish our markets, divide our markets with them through the lowering of our duties below that differential of cost, then—and this is with the nations of the world—what would be the end result, I am asking you, and I want you to explain it to me. I need some new language. Would it be an average of living standards, an average of the living standards throughout the world?

Mr. BENNET. In time, yes.

Senator MALONE. Well, wouldn't it be necessary before we could really get started again?

Mr. BENNET. In time. No one can tell you how long but that is the way it would work out.

Senator MALONE. In the meantime, we would go broke.

Mr. BENNET. Yes.

Senator MALONE. So it would just be a question of picking up the pieces and having the same wages that the European nations have and if you took in China and India, we would probably go even lower.

Mr. BENNET. There are some modifications. You are an engineer and you know that the natural products of different nations differ very greatly. We could live on our own fat longer than most nations.

Senator MALONE. We will—but, could we if we open the floodgates for the imports of low wage labor? How are you going to live on your own fat? Wouldn't they be living on it?

Mr. BENNET. We would share it with them; yes.

Senator MALONE. That is what I am talking about. Until we reach an average.

Mr. BENNET. Inevitably in time, yes.

Senator MALONE. Well, I am talking about the objective. I came here to try to stop this. I will confess to you it was uppermost in my mind. I just got so mad I finally ran for the Senate, and for an engineer, that is pretty mad.

Mr. BENNET. You have been elected how many times, twice?

Senator MALONE. Just twice.

Mr. BENNET. Well, that seems to be working out pretty well.

Senator MALONE. Well, I could catch up on my camping and hunting if it were not for this subject right at the moment, and I am 'way behind.

One further question and I would appreciate it very much if you would look up this debate on the Senate floor and this suit that has been filed. You live in New York?

Mr. BENNET. New York City.

Senator MALONE. Well, then, will you write me a letter?

Mr. BENNET. Yes, I will.

Senator MALONE. One further thing. The Senate of the United States under a Senate resolution directed my committee to make a report on the accessibility of critical materials to this Nation in time of war and for an expanding economy. I made that report. It is Senate Report 1627.

It is available in my office to you. I have a limited number of copies. It can be secured from the Public Printer. We determined that the Western Hemisphere could be made self-sufficient in everything we needed to fight a war or live in peace, and that we can defend it. It will be very interesting to you. That report is a digest of 10 volumes of testimony. I would like for you to get it at my office.

And as a secondary consideration, write me when you have had a chance to look at it. I take this thing very seriously, and I do not believe that the Congress has ever taken the time to think it through.

There have been many organizations that have testified here, and many organizations supporting the pending legislation. They support it, it seems to me, because they think that by diminishing the market here through the lowering of duties, allowing farm products to come in, our dollars would go over there and buy some more of some other kind of products.

I can only come to that conclusion in trying to think it through. Is that generally correct, do you think?

Mr. BENNET. It sounds correct. It is a pretty long question.

Senator MALONE. Well, let's make it shorter. We change the principle. First the principle is laid down in 1930. The principle handed to the Tariff Commission is to determine the differential in the cost of production, and that would be the tariff.

Mr. BENNET. Yes.

Senator MALONE. They have no alternative. They can't say that there are too many automobiles and too little tobacco or something else. They have to do it on principle.

Mr. BENNET. A difference in cost of production at home and abroad.

Senator MALONE. And the Tariff Commission is an agent of Congress.

Mr. BENNET. That's right.

Senator MALONE. That makes it legal for us to delegate that authority just as we did to the Interstate Commerce Commission when everyone knew that every railroad had a different rate for every important shipper.

It didn't work and they sat down and created the Interstate Commerce Commission. I saw that 8½ years on my own commission in Nevada and held many hearings here before the Federal commission.

But the principle laid down by the Congress and by each State law governing the operations of their commission was that they should determine those rates on one principle, on the principle of a reasonable return on their investment. That was right, wasn't it?

Mr. BENNET. Yes.

Senator MALONE. Well, then, they have no latitude outside of that.

Mr. BENNET. They are bound by the principle that they must act on the difference in the costs of production between the United States and other countries.

Senator MALONE. That is what the Tariff Commission must do to that.

Mr. BENNET. Yes.

Senator MALONE. And the Interstate Commerce Commission in fixing a freight rate must fix it on the basis of a reasonable return.

Mr. BENNET. Oh, sure, and the FTC and all these other Commissions.

Senator MALONE. So that being an agent of the Congress, and having a definite principle laid down, that makes it constitutional and legal.

Mr. BENNET. Yes. You will find that stated in Fields against Clark. It is a citation from a State decision in the Supreme Court of Ohio. It states exactly that Congress cannot delegate its powers and what the difference is between delegation of powers and stating a policy and giving a Commission a right to carry it out.

The first is illegal, the second is legal.

Senator MALONE. Yes. Now the Tariff Commission then—and I will insert for the purposes of this record once more section 336, and I will furnish it to the reporter so there is no reason to read it again.

Senator BENNETT. Without objection, it will be received.

(The document above referred to appears on p. 137.)

Senator MALONE. You referred to Judge Cardozo's decision.

Mr. BENNET. His opinion in his opinion, yes. It was a concurring opinion.

Senator MALONE. Well, Judge Cardozo said, and I quoted in my speech Monday, Judge Cardozo in his concurring opinion, you are right, called it a delegation running riot. I will quote Judge Hughes.

Mr. BENNET. Was that Judge Hughes in the Schechter case or the Pan-American Petroleum?

Senator MALONE. Schechter case, I believe.

Assuming, not deciding that Congress itself might have the power sought to be delegated to the President by section 9 (c) of the National Industrial Recovery Act, as follows: The power to interdict the transportation of interstate and foreign commerce of petroleum and petroleum products produced or withdrawn in excess of the amounts permitted by State authority, the attempted delegation is plainly void because the power sought to be delegated is a legislative power. Yet, nowhere in the statute has Congress declared or indicated any policy or standard to guide or limit the President when acting under such delegation.

So in H. R. 1, nowhere have they sought to guide the President when acting under such delegation or power. In other words, there is no principle laid down.

Mr. BENNET. That's right.

Senator MALONE. Well, Mr. Chairman, I certainly appreciate the testimony of this witness, and I can't begin to compliment you on the way you have delivered your testimony.

Mr. BENNET. Well, I have had 80 years of experience to base it on. You can learn a good deal in 80 years, if you apply yourself.

Senator BENNETT. Thank you, Mr. Bennett.

The next witness is Mr. John C. Lynn, legislative director of the American Farm Bureau Federation.

Senator MALONE. Mr. Chairman, is the Senate in session?

Senator BENNETT. The Senate is in session.

Senator MALONE. These witnesses are very important and it is necessary for me to go to the floor and also, it is lunch time.

I wonder if we could have an hour or hour and a half.

Senator BENNETT. The Senator from Utah was rough with the instructions that the hearings are to be continued until they are finished, so I have no delegated power from the chairman to recess them at this point. I think the chairman himself will be back in a little while.

**STATEMENT OF JOHN C. LYNN, LEGISLATIVE DIRECTOR,
AMERICAN FARM BUREAU FEDERATION**

Mr. LYNN. Mr. Chairman, in order to conserve time, we would like to file this statement for the record with your permission, and I would like to make just 2 or 3 principal points.

Senator BENNETT. Is there objection?

Senator MALONE. Well, I think you are going to be a very important witness, and I think we have got to take your testimony, in my opinion.

Mr. LYNN. Sir, I will be happy to conform with your wishes. I shall proceed to read the first five pages.

Senator BENNETT. Since there was objection, I am afraid we will have to ask you to read it.

Senator MALONE. You are the legislative director. Where are your offices here?

Mr. LYNN. Thirteenth and Pennsylvania Avenue, Washington, D. C.

Senator MALONE. You are in Washington?

Mr. LYNN. Yes, sir.

Senator MALONE. And this testimony of yours was prepared with the cooperation of your board, so it is your official position?

Mr. LYNN. This is the official position of the American Farm Bureau.

We appreciate the opportunity to present the views of the American Farm Bureau Federation to this committee with regard to the Reciprocal Trade Agreements Act. The Farm Bureau is a general farm organization representing 1,609,461 farm families in 48 States and Puerto Rico.

We believe that H. R. 1 is a well-balanced piece of legislation. It provides the needed authority for the expansion of United States exports. Through the application of the peril point procedures and through continuation of the escape clause and section 22, it also provides necessary safeguards to protect American producers and the operation of domestic farm programs from disruptive rates of increase in imports.

We believe that enactment of H. R. 1, with the five recommendations for improvement we will recommend later, would give the President authority under which he could reduce restrictions which will facilitate expansion of the export of products we produce most efficiently and most profitably, in exchange for reciprocal concessions on products which we produce less efficiently.

Senator MALONE. What is your reference to restrictions?

Mr. LYNN. Well, the restrictions we refer to, Senator Malone, are attached at the back of this statement. We have only tried to list about 6 or 7 here: Restrictions to expanding international trade which should be reduced under the reciprocal trade agreements program.

Senator MALONE. What are these restrictions?

Mr. LYNN. Well, import licensing and quotas is the first one.

Senator MALONE. In other words, you do not believe in import licensing or quotas.

Mr. LYNN. Not the way that a lot of countries are using that authority, sir.

Senator MALONE. Well, is it our country you refer to?

Mr. LYNN. No, all this is reference to practices that are being followed in other countries that we think should be negotiated under this Reciprocal Trade Agreements Act, with the idea in mind that they should be eliminated or reduced in order that goods may flow more freely.

Senator MALONE. When we make a trade agreement, do we provide that these restrictions be removed?

Mr. LYNN. In a great deal of instances, we do. One point that hadn't been emphasized very much here this morning is that this is a Reciprocal Trade Agreement Act.

Senator MALONE. Well, it never has worked that way.

Mr. LYNN. Well, it has.

Senator MALONE. Give us an example.

Mr. LYNN. Well, during the 22-year period that has been referred to here this morning, it has been the most prosperous period we have ever had in the history of this Nation.

Senator MALONE. Have there been any other reasons for it?

Mr. LYNN. There have been many reasons. I don't give the Reciprocal Trade Agreements Act all the credit for this.

Senator MALONE. The war has kind of helped that out.

Mr. LYNN. Sure it has.

Senator MALONE. Of course we are paying twice as much interest now on the national debt as it cost to run the whole Government when this reciprocal trade started. You are aware of that, I guess.

Mr. LYNN. I am perfectly aware of that problem.

Senator MALONE. So we have lived on our fat a little, haven't we?

Mr. LYNN. We are not for going backward. We are for going forward.

Senator MALONE. Who is going backward? Why don't you explain what I asked you to do?

Mr. LYNN. We will go backward if we go back—

Senator MALONE. That is your opinion. Answer the question first, would you?

Mr. LYNN. What was your question, sir?

Senator MALONE. I thought you had forgotten it. I asked you what you were going to require here that is not now required in the act that would bring about this millennium that you are predicting.

Mr. LYNN. Well, we are simply giving emphasis to some of the points here that are already provided in the Trade Agreements Act that is in effect now and would be extended by the enactment of H. R. 1.

We are simply pointing out that here are some of the problems that we believe that our Government in negotiating these reciprocal trade agreements should give a great deal of consideration to and that these restrictions should be reduced.

Senator MALONE. And then you are going to give me an example where it worked out reciprocally?

Mr. LYNN. Well, we have received under the past reciprocal trade program, we have received concessions, for example, in agriculture on cotton from 20 countries.

We have gained concessions from 18 countries on wheat, 30 countries on tobacco, 33 countries on apples, 33 countries on lard, 28 countries on dried milk.

Senator MALONE. Is that the reason that we have to make up the difference in the price through the taxpayers? What concessions did you get?

Mr. LYNN. Well, we got concessions reducing the import duties on many of these commodities, elimination in some instances of exchange control, elimination of import quotas on many of these commodities.

Senator MALONE. When you met the world price?

Mr. LYNN. Oh, there is a lot of thought that needs to be given to competitive pricing, but in a lot of these cases we are competitively priced. In the case of cotton, in the case of tobacco, in the case of apples—

Senator MALONE. In the case of tobacco are you competitively priced? What price do you sell your tobacco for?

Mr. LYNN. Depending on grade, sir, ranging from 52 cents a pound to as much as \$1 a pound for some of the higher grades.

Senator MALONE. What do you pay for it?

Mr. LYNN. Those prices are calculated to be about 5 percent higher than the domestic support price for tobacco which is supported at a 90 percent price support.

Senator MALONE. What is that price?

Mr. LYNN. And there is no export subsidy on tobacco.

Senator MALONE. What price do you pay for the tobacco here that you are storing?

Mr. LYNN. Well, that depends on grade. Roughly, 60 cents I would say.

Senator MALONE. And you sell some for 52 cents over there?

Mr. LYNN. Well, depending on grade, from 50 cents to \$1 per pound, but there is no direct subsidy on tobacco exports.

Senator MALONE. What about wheat?

Mr. LYNN. Oh, yes, sir, there is a subsidy on wheat exports. It is now 74 cents a bushel under the International Wheat Agreement.

Senator MALONE. Seventy-four cents on wheat, seventy-four cents that it costs the taxpayers to sell a bushel of wheat.

Mr. LYNN. That's right; that is under the International Wheat Agreement.

Senator MALONE. We agreed to sell it at that much under our support price; is that right?

Mr. LYNN. Yes, sir; under the International Wheat Agreement.

Senator MALONE. Yes. Who made that agreement?

Mr. LYNN. Oh, that was an agreement that was authorized by the Senate of the United States and negotiated, and then reratified by the Senate of the United States.

Senator MALONE. Was it made by the State Department or the Department of Agriculture? How was it made?

Mr. LYNN. Well, it was a combination of all the administrative agencies of government. I think all of the people at the Cabinet level participated.

Senator MALONE. Well, now, how do you think that is going to enrich the coffers of the United States?

Mr. LYNN. Well, the International Wheat Agreement has not worked out as a lot of people predicted it would. Reference was made here by one of the witnesses advocating a two-price system for wheat, for example.

Senator MALONE. Well, that is what you have, isn't it?

Mr. LYNN. The fact of the matter is, we have had a 2-price system for wheat 5 years under the wheat agreement. Our domestic price is about \$2.39 a bushel for an average grade wheat, and we offered to sell it for \$1.65.

Senator MALONE. I am not at this time objecting to a 2-price system for wheat or objecting to selling it for 74 cents under what it costs you, at all. I am simply trying to bring out, do you believe that the duties on other products now set at approximately that differential of cost for production should be lowered so that there may be more imports of one commodity so you might sell more of your commodity?

Mr. LYNN. Well, Senator Malone, H. R. 1 that is now being considered by this committee is the most restrictive trade agreement act that we have had since 1934.

Senator MALONE. That isn't what I asked you. Are you for the authority being granted, responsibility being put on one man for himself to say that the duty on any commodity can be lowered below that differential of cost of production between here and the chief competitive nation on commodities, so that there will be more imports in that particular field so you can sell more agricultural products.

Mr. LYNN. We are for H. R. 1, and it does now provide for what you have just stated.

Senator MALONE. Now you make that flat statement. Let me explain to you how it does and see if you agree with the explanation. We can read the act. We have all afternoon.

You are giving to the President of the United States the right to negotiate trade agreements, aren't you?

Mr. LYNN. May I interject there. After you go through the process that we have outlined here on page 2, there are six very definite steps that must be taken before the President of the United States is authorized under this act to negotiate a reduction.

Senator MALONE. I ask you if, in the final showdown, the President is the judge.

Mr. LYNN. He is the final judge, but it is based on all of the information that is developed for him under the procedure.

Senator MALONE. Which he may or may not consider, isn't that right?

Mr. LYNN. That's right.

Senator MALONE. Well, then I think you have answered my question. So that on any commodity, regardless of whether the action is up or down—and there has never been any history of one going up—the President of the United States under this act is the sole and final judge, regardless of what evidence is put before him, as to whether or not the duty on any product is to be lowered. Is that true?

Mr. LYNN. That is true, and we are for H. R. 1 that provides that.

Senator MALONE. You are for giving one man the authority to do that and you are also, I gather from your testimony, hopeful that it will be operated to your advantage so that you can increase the sale of

agricultural products abroad, or at least get a better price for them.

Mr. LYNN. We are for the authority granted to the President in H. R. 1 and the whole reciprocal trade agreements, which is a very thoroughly circumscribed authority.

Senator MALONE. By the way, where do you pick up the words "reciprocal trade"? That is very interesting to me.

Mr. LYNN. Well, it happens to be the title of this bill.

Senator MALONE. Is it? Did you read it?

Mr. LYNN. Well, it is the extension of the Reciprocal Trade Agreements Act.

Senator MALONE. Would you read it to me? I would be very happy if you would do that.

Mr. LYNN. H. R. 1 is the Trade Agreements Extension Act of 1955.

Senator MALONE. Do you have the original act?

Mr. LYNN. Well, I have the original H. R. 1. I don't have the original act.

Senator MALONE. If you will find the phrase "reciprocal trade" in it, I would be very happy to be corrected, because I do not believe you will find it, and I think this term "reciprocal trade" was invented in the same place that many of the slogans and catchwords come from, in London, and by the London bankers. They are invented to sell free trade to the American people.

Where do you get the phrase "reciprocal trade," then?

Mr. LYNN. We are not entirely happy with the way it—

Senator MALONE. I didn't ask you that.

Mr. LYNN. Where do you get that phrase? Well, we have gained in agriculture and in industry.

Senator MALONE. I am not talking about that, at all.

Mr. LYNN. The reciprocal benefits under the Trade Agreements Act.

Senator MALONE. Where do you get the name of the bill, the Reciprocal Trade Act? Did you pick that up 20 years ago or now?

Mr. LYNN. This historically has been known as the Reciprocal Trade Agreements Act.

Senator MALONE. "Trade, not aid," "Dollar shortage," and all of these catch phrases that we mouth and begin to believe after a while, also "reciprocity," just another catch phrase.

Mr. LYNN. Well, I contend we do get reciprocity.

Senator MALONE. You may, but what I just brought out is, you are for the authority granted to 1 man to destroy 1 industry, to build up another one.

Mr. LYNN. We are for H. R. 1.

Senator MALONE. That gives that authority, does it not?

Mr. LYNN. It provides carefully circumscribed procedures laid down by Congress.

Senator MALONE. Will you answer me just one more question. Who is the final judge as to whether all of these circumscriptions that you describe are considered or not?

Mr. LYNN. The President of the United States, and that is the way it should be.

Senator MALONE. Thank you. Go right ahead.

Mr. LYNN. The United States would gain not only through the expansion of profitable exports but by imports which improve United States standards of living.

The chairman of this committee indicated in a notice of the hearing that he did not want the witnesses to repeat statements already made in the House. Therefore, we would call the attention of the committee to the hearings before the Committee on Ways and Means, House of Representatives, on H. R. 1, part 1, where the American Farm Bureau's Federation full statement begins on page 508 and extends to the middle of page 524.

We call your special attention to the report of the Committee on Ways and Means on H. R. 1. On pages 8 and 9 of that report the committee stated the importance of foreign trade to agriculture and the importance of the enactment of H. R. 1 to the promotion of that trade—

Senator MALONE. Unfortunately, I was not able to listen to the testimony there, and I am going to ask you just where those benefits are.

Mr. LYNN. Let me read what the Committee on Ways and Means says, and then I will amplify on it, if I may.

Senator MALONE. That is good, fine.

Mr. LYNN. We believe the committee clearly stated the legislative intent of H. R. 1 when it said:

It is the committee's belief that enactment of this bill will further expand the foreign markets for agricultural products, which expansion is urgently needed by American farmers, and it is our hope that the authority granted the President under this bill will be utilized insofar as practicable to accomplish this result.

Senator MALONE. I want you to understand to start with, we are not discussing the merits of the farm bill that we have already passed and which has been passed several times already by Congress. We decided there that something had to be done, and it was done.

But I am interested now in completing the record which will be helpful in holding the time down of our cross-examination here.

What are you trying to do or what do you think can be done to this bill or what do you hope will be done to increase the imports of one product and to correspondingly increase the exports of your farm products? That is what I would like to have you explain—

Mr. LYNN. Well, I don't think I can do it to your satisfaction, but I will say this—

Senator MALONE. Don't do it to my satisfaction. Do it for your own.

Mr. LYNN. Well, I will do it to help answer your question.

We exported in 1951 and 1952 agricultural commodities from this country of about \$4,200 million. Unfortunately, Congress did not give the farmers an opportunity to make the adjustment after the war that we should have made.

Senator MALONE. Is that 1951?

Mr. LYNN. 1951 and 1952 fiscal year.

Senator MALONE. And that was each year four billion?

Mr. LYNN. No, that was the fiscal year 1951-52.

Senator MALONE. Oh, I see, fiscal year.

Mr. LYNN. Yes, sir. And currently, our agricultural exports are running at a rate of about \$2,600 million. That is about \$1,600 million less than the rate in 1951-52.

Senator MALONE. And that is 1954, is it?

Mr. LYNN. That is 1954. Well, I mean the current rate's 1954-55, the current rate of export. We are accumulating surplus agricultural commodities—

Senator MALONE. How much did you say that was now?

Mr. LYNN. About \$2,600 million. We are accumulating surplus agricultural commodities in this country at a fantastic rate estimated to be by spring of about \$8 billion in the storehouses of the Commodity Credit Corporation.

Senator MALONE. Annually?

Mr. LYNN. No, sir, that will be the total investment in these agricultural commodities.

Senator MALONE. As of the present time in the bins?

Mr. LYNN. That's right. There is a great need—

Senator MALONE. What is the annual accretion?

Mr. LYNN. Well, it will be about \$3 billion this year. It has come up rather rapidly since 1952.

Senator MALONE. It will be about \$3 billion in addition to the eight billion excluding what you sell, in all it would be \$11 billion at the end of this year?

Mr. LYNN. No, sir. The Secretary of Agriculture has estimated that it might be in the neighborhood of \$9 billion accumulation of surplus agricultural commodities by the end of 1955.

Senator MALONE. But you have about \$3 billion surplus this year, but you will dispose of \$2 billion, that leaves it nine.

Mr. LYNN. That is roughly correct, sir. Now we have greater opportunities for increasing our export and sale of these agricultural commodities.

We don't think that the Reciprocal Trade Agreements Act as we are testifying on here today is the whole answer to this problem. However, we must have a method by which we can negotiate with these countries for reduction in trade barriers that they have.

Let me give you just one example. We have a tremendous surplus of dairy products in this country, dried milk, for example.

Senator MALONE. Is that the reason you bring in more butter at a lower duty?

Mr. LYNN. We don't bring in any butter, sir.

Senator MALONE. There is no butter coming in?

Mr. LYNN. Only 707,000 pounds per year under a quota.

Senator MALONE. That is on account of—

Mr. LYNN. That is on account of the protection given under the Reciprocal Trade Agreements Act.

Senator MALONE. What do you call it?

Mr. LYNN. Section 22 of the Agricultural Adjustment Act.

Senator MALONE. That allows the President to prevent any imports of butter?

Mr. LYNN. No, sir, it allows the Tariff Commission to conduct an investigation and make recommendations to the President with regard to whether an import quota or increased duties should be made.

Senator MALONE. There are no imports at this time on account of the quota?

Mr. LYNN. That's right. There is a quota on butter, 707,000 pounds.

Senator MALONE. What is the quota?

Mr. LYNN. It is almost negligible, 707,000 pounds.

Senator MALONE. Well, they have brought that much in?

Mr. LYNN. I think so.

Senator MALONE. And whatever the quota would be under the present duty, they would probably fill it, wouldn't they?

Mr. LYNN. Oh, I think so.

Senator MALONE. What is the duty on butter?

Mr. LYNN. I don't know. I don't have that figure in my mind, sir.

Senator MALONE. Do you have any comparison as to what it is now, and as to what it was when we started to meddle with it?

Mr. LYNN. I just don't have that. I will be happy to insert that into the record.

(Mr. Lynn subsequently advised the import duty on butter is 7 cents per pound.)

Senator MALONE. Yes, if you will. We did cut it substantially, did we not?

Mr. LYNN. I just don't recall on that item.

Senator MALONE. Now, as a result of the imports and the interference with our own domestic market, we did have to put a very small quota which has been filled, is that right?

Mr. LYNN. Yes, sir. Now I think most any quota we would put on butter would be filled due to the fact that we have an artificially high price, and the lack of dollars in the countries like Denmark and Holland, who have surplus butter, they would naturally be drawn in to this country.

Senator MALONE. What is the support price on butter?

Mr. LYNN. Roughly, 63 cents a pound butterfat. Let me correct that. I think it is closer to 56 now under the 75-percent price support.

Senator MALONE. 56 now. And at what price do they sell their butter that they bring in? Do they get the same price?

Mr. LYNN. I think they do.

Senator MALONE. We buy it up and put it in bins, is that what we do with it?

Mr. LYNN. No. I think any imported butter we have goes into consumption.

Senator MALONE. Well, now it is just as good butter, isn't it?

Mr. LYNN. Yes, sir, I think it is.

Senator MALONE. And it either takes the place of domestic butter that would be sold on the market or we would buy it up, one of the two. In other words, we maintain a price of 56 cents, is that right?

Mr. LYNN. That's right. I can say to you now, sir, we are not for the importation of butter into the United States as long as we have the surplus situation existing in butter that we have.

Senator MALONE. Well, you are for the importation of other products that restricts our own production in these products, aren't you?

Mr. LYNN. We are for importation of other products, but we don't necessarily agree that it restricts our production of these products.

Senator MALONE. I guess this Morgantown Glass Co. believes they have been restricted. They have filed suit against the Secretary of the Treasury alleging that they have 150 employees now where they had 300 before, and that imports have taken their place. I take it you would not be for that sort of thing if you understood it.

Mr. LYNN. Well, I am glad to see this come before the courts. This is one of the most highly protected domestic industries we have, the glass industry, duties running up to 90 percent as I remember the duties.

Senator MALONE. Do you think the duty is higher than the difference in wages and the costs of doing business?

Mr. LYNN. I don't know whether it is or not, but any industry in this country that must have a 75 or 90 percent ad valorem duty in order to exist should be looking for——

Senator MALONE. How about 60 percent?

Mr. LYNN. Sixty. Anything above 50 percent.

Senator MALONE. Well, this is cut to 12½ percent arbitrarily.

Mr. LYNN. This is on a particular item in the glass industry, is it not?

Senator MALONE. It is on this handmade glass, but nevertheless, what I wanted to say, I think you have already said, and I thoroughly understand it: That whenever the difference in the rate of pay of this country and the chief competitive nation on any other product causes a substantial duty to be necessary to equalize the price, you are for reducing it.

Mr. LYNN. No, sir; that is not what we are for.

Senator MALONE. What are you for?

Mr. LYNN. We are for the provisions of H. R. 1, which sets up very clearly the procedures that must be taken by the administrative agencies of Government in order to determine whether the glass people are being injured or not, and if so determined——

Senator MALONE. If you are for this bill, I can explain to you what you are for. You are for giving the authority to one man, the President of the United States, to determine ultimately whether the duty shall be cut or not, is that what you are for?

Mr. LYNN. In the carefully circumscribed rules laid down by H. R. 1.

Senator MALONE. Give me those rules, will you?

Mr. LYNN. Let me read them on page 2.

Senator MALONE. Go ahead and read them.

Mr. LYNN. We have the escape clause, we have the peril point and we have section 22 as specific items.

Senator MALONE. What is section 22?

Mr. LYNN. Section 22 is the provision of the Agricultural Adjustment Act which says in effect that any time that the Government has a program in agriculture in the way of price supports and so forth, that if imports come into this country or threaten to come in at a rate that would greatly disrupt the Government's operations in this particular program, then we shall go through the Tariff Commission hearings, and so forth, and based on their findings they will make a recommendation to the President, and then he will act.

Senator MALONE. And the President may decide to take it, either one he wants, is that right?

Mr. LYNN. That's right.

Senator MALONE. Now, you are taken care of pretty well in agriculture. I didn't notice any glassware or minerals or machine tools or any one of the other 5,000 products were included, did you? Did you notice any of these other products to be included in the bill?

Mr. LYNN. But the escape clause of this act is designed to give the same protection to industry.

Senator MALONE. Why wouldn't it work on agriculture?

Mr. LYNN. Well, it might, it might.

Senator MALONE. You wouldn't like to depend on it, would you?

Mr. LYNN. The American Farm Bureau position at the current

time is for the continuation of section 22. But may I read you just one little bit in the record?

Senator MALONE. Yes.

Mr. LYNN. After 20 years under this agreement, agriculture finds itself in the position with competitive imports equal to 5.3 percent of the domestic production of imported products while competitive industrial imports comparably measured amount to only 1.6 percent of the imports of this Nation.

Therefore, under the Reciprocal Trade Agreements Act, which we are not complaining about at all, we have imports equal to 5.3 percent of our competitive imports. I don't mean bananas and coffee now. I mean competitive imports.

Senator MALONE. You have a quota, a quota system?

Mr. LYNN. No, sir; we don't.

Senator MALONE. What did you mean by the percentage?

Mr. LYNN. Well, what I mean is that competitive imports of agricultural commodities coming into the United States equals about 5.3 percent of our domestic production.

In the case of industry, glassblowers included, it amounts to only 1.6 percent of domestic production.

Senator MALONE. Will you explain to me just how that operates?

Mr. LYNN. Well, a great deal of concessions have been given in tariffs in agricultural commodities.

Senator MALONE. That is correct, but you are still protected by tariffs and import quotas and subsidies, aren't you?

Mr. LYNN. Yes, sir, and H. R. 1 continues that same protection to both industry and agriculture through the escape clause, through section 22 and through the peril point.

Senator MALONE. Would you have any objection to a paragraph in there referring to other industries just the same as agriculture?

Mr. LYNN. Sure, the same thing.

Senator MALONE. No, no, I say would you have any objection to the insertion of a paragraph mentioning other industries just the same as agriculture?

Mr. LYNN. Sure, it would be perfectly all right because we go through the same procedures under any event, through the tariff—

Senator MALONE. I understand the procedure and I am bound that you shall, before we get through. Now, do you know exactly how an escape clause works?

Mr. LYNN. Yes, I think I do.

Senator MALONE. Explain it to me.

Mr. LYNN. Under the escape-clause provision of the trade agreement, if an industry says that the importation of a given item or the threat of importation of a given item threatens that industry in the way of employment and so forth and so on, they file a petition where they are given adequate opportunity to present evidence to the Tariff Commission as to whether the evidence they present is justification for increasing the duty or increasing or putting on a quota or increasing the quota.

And based on that recommendation the President of the United States then determines, under the authority of this act, what action shall be taken. That is the procedure.

Senator MALONE. What action is generally taken under that act which you have just given?

Mr. LYNN. Well, the watch case is a good example of that. That was under the escape-clause agreement where the duty on watches was about double.

Senator MALONE. Out of 15 cases there are about 3 cases in which relief has been allowed. Now I ask you again if under the escape clause the President of the United States, one man, is not the final judge as to whether there is any escape or not, regardless of any evidence?

Mr. LYNN. Well, that's right, that's right.

Senator MALONE. Well, that is enough. Now the peril point, Do you know how it operates?

Mr. LYNN. The Tariff Commission, based on all information that is has together with the trade agreement committee establishes a point below which a tariff shall not be reduced, and in our negotiations with another country, if the President of the United States should go below that point that has been established based on this information, then he must report it to the Congress.

Senator MALONE. He shall report it to the Congress. Well, that is very helpful. But he is the judge as to whether or not the peril point is accepted?

Mr. LYNN. That is right.

Senator MALONE. Let me tell you something about the peril point, and if you find any error in it, I hope you will submit a further statement.

And that is that they may request, the President and the State Department, wherever the request comes from, to establish the peril point, and you have correctly stated it, below which this industry would be in danger.

That is where the tariff ought to be at the moment, and that would conform to the 1930 Tariff Act which provides that a tariff or duty as the Constitution calls it shall represent that differential in cost below which the industry would obviously be imperiled.

Now the President or the State Department—we think it is the State Department, I think the President hears about it secondhand, but technically the President—may or may not accept that peril point in making the trade agreement, and he generally does not, for your information.

But let's assume for one case that he does. Ten seconds after the ink is dry, the foreign country can create another value for its currency or it can impose quotas or it can establish exchange permits or import permits and nullify the agreement as far as that country is concerned. Are you aware of that part of it?

Mr. LYNN. No, sir; I am not. And I don't understand. I have heard you make that statement several times this morning.

Senator MALONE. If you find any error in it, I hope you will submit a brief on it.

Mr. LYNN. Could I tell you now what I think the error is?

Senator MALONE. Yes; I wish you would.

Mr. LYNN. If this duty, let us say, if it was determined that it should not be below 50 percent ad valorem, just for example, this commodity coming into this country would have to pay not in their local currency but in dollars.

So I can't understand why convertibility enters into this particular argument, because if the duty was 50 percent and the item cost \$10, they would have to pay \$5 to get it in.

Senator MALONE. You are talking about your reciprocal part of it. Now the point is if you do reduce it, then the commodity obviously can come in.

It is not a question of whether the currency is reduced or not, but the reciprocity part of the agreement is null and void 10 seconds after the ink is dry, if they put on these restrictions that I have explained to you, and there is no method provided for the trade agreements to be changed to conform to it, to compensate for it.

So that there is no advantage to any product that we made the trade agreement for, and there is no record that I know of where they have taken the peril point at the point fixed by the Tariff Commission.

And another thing. As the currency changes or conditions change or costs change in the foreign nation, which it does with the change in currency, their cost of production and the money that we give them, they have reduced their cost production, there is no chance to compensate for it in the trade agreement.

So that as a matter of fact it does influence the imports here.

Mr. LYNN. Senator Malone, we make a recommendation on page 7. We make 5 specific recommendations, recommend 5 specific amendments to H. R. 1.

Senator MALONE. Did you make that recommendation in the House?

Mr. LYNN. Yes, sir.

Senator MALONE. I understood that they didn't change it at all?

Mr. LYNN. Well, they didn't change the language of the law, but there is a lot in their report that indicates the legislative intent, and here is the change that we would recommend.

On page 9, section 6—and we don't have specific language here, but this is the essence of the thing:

Authorize the President to suspend United States concessions. We urge this committee—and this is a part of the statement, sir, that I am reading from before this committee—

Senator BENNETT. Will you identify the point in your statement from which you are reading?

Mr. LYNN. Page 7, item 3. We urge this committee to make clear in its report that this provision is to be utilized to insure that other nations live up to the spirits of their commitments under the reciprocal trade agreement if they are to receive concessions made by the United States. Isn't that getting at your point, sir?

Senator MALONE. I think it is, but it wasn't accepted in the House, and if it is only in a report, it has no weight whatever.

Mr. LYNN. We would be happy to help you draft language and insert in this bill that would make sure it is in the bill as reported out by this committee.

Senator MALONE. I think your testimony is clear and I think it is a very good suggestion. Now it is not a part of the bill and it can be considered here when the full committee is in session.

But at the moment and in the bill itself there is no method of compensating for it. You know that.

Mr. LYNN. That is right, and that is the reason we make five specific recommendations.

Senator MALONE. Foreign countries change the value of their currency, many of them do, and often, and lower their wages. England has done it several times, and at one time had 28 values for their currency inside the Empire. I named them on the Senate floor, and they were to meet specific conditions just as you are outlining and to defeat trade agreements already made.

This would answer that one question. But would it still leave it to the judgment of the President as to what adjustment is made or would you set down in this amendment that they must do it on the principle of fair and reasonable competition?

Mr. LYNN. I can't think of the exact language that we would like to use but this is the main point. We would be happy to sit down with you.

Senator MALONE. Would you strike the power of the President to be the sole power of the adjustment?

Mr. LYNN. I think if you get the Congress into the business of adjusting tariffs and taking part in all of these individual commodities and trade agreements, that we won't go very far.

Senator MALONE. Are you one of the ones that has never read the 1930 Tariff Act?

Mr. LYNN. Oh, I might be classed in that category. I have read it, however.

Senator MALONE. That is one of the very reasons Congress is not back into the business at all, if this should expire. You understand that, do you not?

Mr. LYNN. Yes, sir.

Senator MALONE. Then why do you bring in extraneous remarks?

Mr. LYNN. I don't intend to.

Senator MALONE. You say "if Congress is put back in the business." If this is not passed, tariffmaking powers revert to an agency of the Congress under the United States Tariff Act, and the agency can then adjust the duties on the basis of fair and reasonable competition and in no other manner.

Mr. LYNN. We are not for that, sir. We are for H. R. 1 with our amendments.

Senator MALONE. You want to have one man that will be the judge as to whether some duties will be below that differential of costs so that the imports may be increased in that particular business in the hopes that it will increase your exports.

Mr. LYNN. No, we are not looking at this as an agricultural group, Senator, because we know full well that the major portion of the market for our products is here in the United States.

Senator MALONE. Then why would you be for the reduction of a tariff in other industries on an uneconomic basis? If you are not for it, why do you give that authority to somebody?

Mr. LYNN. Well, if you follow the procedures laid down in H. R. 1, particularly with the five amendments we have suggested here, we have got a lot of confidence that the President of the United States will not go against the recommendation of these people.

Senator MALONE. As a matter of fact they always have, haven't they, except in three instances? Now let's go a little further. Does the Constitution of the United States give the President any such authority?

Mr. LYNN. Well, I think the President has only that authority delegated to him.

Senator MALONE. Well, I should think so.

Mr. LYNN. By the Congress.

Senator MALONE. And in article I, section 8, not only the authority but the responsibility of Congress is definitely fixed where it says that they shall fix the duties, impose excise tariffs, import fees, and they shall regulate foreign commerce. That is definite, isn't it?

Mr. LYNN. I think that is definite; however, I am not a constitutional authority.

Senator MALONE. Now then, we amended the Constitution of the United States by a simple act of Congress and transferred it to the Executive.

I don't want to further discuss the question because it is in the courts now. I hope that it will be facilitated and reach a trial and reach a decision.

But nowhere does the Constitution of the United States give the President any authority to regulate commerce or fix duties or excises, does it?

Mr. LYNN. I am not a lawyer.

Senator MALONE. Well, you can read.

Mr. LYNN. I believe you are correct.

Senator MALONE. Well, I think I am, too. I have been asking attorneys about it a good deal in the last 15 years, and I came here to get better advice from the Senate. I thought maybe we might get at it. But we haven't yet. Go ahead.

Mr. LYNN. Well, I was just looking at the present Trade Agreements Act. The Congress has delegated this authority to the President by act of Congress.

Senator MALONE. That is right. They amended the Constitution of the United States by an act of Congress.

Now I only ask you if you are for giving one man the authority to lower any duty or raise any duty without regard to the differential of costs between this country and the chief competitive countries upon his sole judgment.

Mr. LYNN. We are for the provisions of H. R. 1 with our amendments.

Senator MALONE. Well, then, would you just answer my question? You know that H. R. 1, even with your amendments, leaves it in the final analysis to the President of the United States, do you not?

Mr. LYNN. That is right.

Senator MALONE. And you are for that?

Mr. LYNN. That is right.

Senator MALONE. Go ahead.

Mr. LYNN. I am on page 2, protection for American producers provided in H. R. 1. H. R. 1 provides for a very modest reduction in United States tariffs within a comprehensive procedure to safeguard the interests of American producers.

Senator MALONE. I would like to ask you at that point if you understand that even a 2-percent reduction, if the tariff already correctly represents a differential of costs, would cause any producer to lower his wages, write off his investment to meet that cost or go out of business; 2 percent, not 15 percent? Do you understand that?

Mr. LYNN. I understand that, but I don't agree with the statement, Senator.

Senator MALONE. Well, what statement did I make? You just agreed with it that if you reduce the protection any amount below that differential, then they have to meet that cost if they are going to stay in business, don't they?

Mr. LYNN. Well, that's right, sir, but you put in your other statement, if it is lowered 2 percent.

Senator MALONE. Any amount. In other words your profit is the top and maybe 2 percent is a pretty good profit. So you either go without that much profit, assuming that it is correct in the first place to allow you a reasonable profit, then you cut your reasonable profit or you cut your wages and your cost to meet it, is that right, or go out of business?

Mr. LYNN. You have got to compete.

Senator MALONE. That is right. It is just like Mr. Hoffman. He lowered his wages in Indiana and now he is building a plant in Japan to make Studebakers so he can get low-cost wages there, and I do not blame Mr. Hoffman. I only blame a Congress for making that profitable.

Mr. LYNN. May I give you an example on the other side of that?

Senator MALONE. Yes.

Mr. LYNN. The textile industry in the United States is currently in some difficulty.

Senator MALONE. I'll say they are. You can say that again.

Mr. LYNN. Due not to imports but due primarily—

Senator MALONE. Have you talked to any of the producers?

Mr. LYNN. Yes, sir.

Senator MALONE. What did they say about it? Now let's have it out straight.

Mr. LYNN. Let me complete this statement and I will be happy to.

Senator MALONE. There may be another factor, but the imports are a direct factor, are they not?

Mr. LYNN. No, sir, they are not the only factor.

Senator MALONE. I am glad you put that in the record.

Mr. LYNN. Let me just start over. The cotton textile industry claims to be in trouble. It is not wholly due to the importation of finished textile goods into the United States. It is due primarily to the competition of synthetics that are replacing cotton and wool.

Senator MALONE. I don't think anybody is kicking on any competition where they pay the same wages and the same taxes. They have not suggested to you that that be adjusted, have they?

Mr. LYNN. I am just leading up to this point. We are importing now into the United States about one-half of 1 percent of our total production of finished cotton textile goods.

Senator MALONE. Is it more than one textile or is it more than that amount in some textiles?

Mr. LYNN. No, that is the total cotton textiles.

Senator MALONE. Wait a minute. I asked you if that is an average. Isn't there more of some classes of textiles?

Mr. LYNN. Yes, sir. I think so.

Senator MALONE. Couldn't you say what the maximum would be?

Mr. LYNN. One-half of 1 percent of the total United States production of textiles are coming into this country.

Senator MALONE. That means nothing whatsoever. They all don't claim to be hurt. But in the industries that are hurt, there is much more than a half of 1 percent imported, is there not?

Now I will complete this record if you insist on it.

Mr. LYNN. Well, sir, I am not trying to be adamant or anything. All I am trying to do is to answer your question.

Senator MALONE. All you are trying to do is to average something that can't be averaged. In other words, there are 50 or a hundred different kinds of textiles. There are probably 5,000 different kinds and on some of them there are enough imports to hurt them, are there not?

Mr. LYNN. That may be true, but would you let me complete my statement with regard to the wages?

Senator MALONE. Yes.

Mr. LYNN. The principal exporter of textiles into the United States is Japan. Japan has very efficient machinery and so forth to produce exports.

They are paying an average of about 13 cents an hour wages. We are paying \$1.37 an hour in our cotton textile industry.

But yet in—1953—54—we exported 10 times more finished textile than Japan is sending into this country, we are able to compete because of our efficiency.

Senator MALONE. Well, give Japan a little time. They are building more plants and it may be a different story.

Mr. LYNN. But my point is, Senator, and I am trying to be honest and sincere in trying to answer your question, is the fact that we can produce more efficiently most of the items than any country in the world.

It may be that they have a lower per hour labor cost. But our efficiency and know-how, our streamlined methods, cause us to be able to compete.

Senator MALONE. What kind of a plant do you think Mr. Hoffman is going to put over there? One of these inefficient plants?

Mr. LYNN. I don't know, sir. I guess Studebaker would put in a good one.

Senator MALONE. Because it is the last one it will be the best one just like an industrial plant of any kind. I have been in Japan in their new plants, and regardless of what they may be, the newest plant they put in, if it is the last one in the world, it is the best one.

Mr. LYNN. Yes, sir.

Senator MALONE. And just give them time, just 3 years, and I think you will find what you say about the textiles is only the beginning.

Mr. LYNN. I would like to complete this.

Senator MALONE. Go right ahead.

Mr. LYNN. We are for not flooding this United States market with Japanese textiles or any other textiles because we recognize as producers of cotton that our best market is 9 million bales that are being spun here in the United States and consumed.

Senator MALONE. We would like to raise a little more in Nevada. We have a lot of good land there, but we are a little newer in agricultural ways and there is restriction on acreage.

Mr. LYNN. Yes, sir, I know, and we would like to see those removed, if we could, but we have got to sell the surpluses before we can remove them.

Senator MALONE. Yes. Well, we can sell them by providing a market for cotton by reducing the production of some other commodity in the United States, is that the theory?

Mr. LYNN. Well, we are for a maximum production insofar as we can, in all parts of the economy, including agriculture.

Senator MALONE. Wouldn't you say that it would be a very good method of inducing investments in industry to have a principle adhered to established by Congress on a basis of fair and reasonable competition, which is not the highest price and not the lowest price of production but a reasonable price as compared to the chief competitive nation, and have that difference continually adjusted by a commission with plenty of ability to do that, with no authority to trade any other industry or any other production off, at all. Don't you think that would be a pretty good principle?

Mr. LYNN. Well, I think it is a part of the principle of the Reciprocal Trade Agreements Act.

Senator MALONE. Well, of course, you have testified at least five times, and I hate to carry you through that one again, but I shall.

Under this bill even with your amendments, is there one man that can take or leave alone the recommendations of all of these safeguards and can, on a basis of political situations throughout the world or any other factor, reduce a tariff to the extent allowed in this law on his own decision? You have said yes, 5 or 6 times, so I am going to keep at it until you say it again.

Mr. LYNN. Well, the President of the United States can do this after going through the procedures outlined.

Senator MALONE. That's right.

Mr. LYNN. In this bill.

Senator MALONE. That is correct, and his is the final decision, no one else.

Mr. LYNN. That's right.

Senator MALONE. Thank you. I hope we don't have to go through that again.

Mr. LYNN. It provides for United States tariff reductions more modest than previous acts to extend the reciprocal trade agreements program.

Senator MALONE. Right there I would like to ask you if the tariff has already been reduced 50 percent, and then in addition to that 50 percent more, which has been the final authority, and this 15 percent would apply to that commodity, too?

Mr. LYNN. That's right.

Senator MALONE. All right.

Senator BENNETT. Where are you?

Mr. LYNN. I am at page 2, sir, beginning:

We wish to outline, very briefly, the procedures for protecting American producers which are provided in H. R. 1. There are six steps in the procedure:

1. By order of the President, an interagency Trade Agreements Committee made up of representatives of nine executive departments is formed to advise the President in carrying out his responsibilities under the act. The advice of the Departments of State, Commerce, Agriculture, and Defense is required by law. The President also includes representatives of the Department of Labor, Interior, Treasury, and Foreign Operations Administration on the Trade Agreements

Committee. This Committee recommends to the President a list of United States products on which negotiations to reduce tariffs might be considered.

This recommendation is based on thorough staff studies of the effect that increased imports might have on domestic producers. The President then decides on a preliminary list of products to be considered for possible tariff reductions.

2. A Committee for Reciprocity Information then publishes this list. Subsequently hearings are held at which anyone who has an interest in any product on the list is invited to express his views and give evidence with regard to the effect of a proposed tariff concession.

3. Subsequently the United States Tariff Commission holds hearings on each product on the list. Based on these hearings and its own investigations, the Tariff Commission establishes a "peril point" for each product. The peril point is the duty below which, in the opinion of the Commission, injury would result to the domestic industry.

4. The Trade Agreements Committee studies the result of the hearings held by the Committee for Reciprocity Information and the peril point determinations of the Tariff Commission and recommends to the President a final list of products and the maximum tariff reductions authorized for each product. The President then compiles the final list of products which may be included in tariff negotiations. The inclusion of a product on this list still does not mean that any decision has been made as to whether a concession will or will not be made.

5. The President would then be authorized under H. R. 1 to negotiate for reductions in restrictions against United States exports in exchange for which he may reduce United States tariffs on the products listed, within the limits established, by 5 percent per year for 3 years. However, during the second year of the authority, duties may be reduced 5 percent for only 2 successive years. If negotiations are concluded during the third year, he may reduce the tariffs by only 5 percent.

If any negotiations result in a concession on a tariff below the peril point, the President is required to explain to the Congress the reasons for his action.

6. Finally, either House of Congress, the Finance or the Ways and Means Committee—by resolution—the President—by request—or any interested party may petition the United States Tariff Commission for relief from competition from imports. If the Tariff Commission finds that imports have increased under a concession in an amount to cause or threaten serious injury, the Commission may recommend that the President take measures to provide relief.

The President may (1) withdraw the concession in whole or in part or (2) modify the concession or (3) impose quotas in order to prevent or remedy serious injury to domestic producers.

Section 22 of the Agricultural Adjustment Act is continuously in effect.

Senator MALONE. Now before you leave that section, I would like to just clear the record.

You seem to have a slight regard for a 5 percent reduction in tariff or 10 or 15 percent. About what, if you know, is considered a fair or satisfactory profit in a good-sized business of any kind?

Mr. LYNN. Oh, I guess 5 percent on investment or $7\frac{1}{2}$ would be pretty good.

Senator MALONE. You could only take the profit away three times. You keep insisting that it is only that amount. I just thought maybe we might clear up whether it is important or not.

Mr. LYNN. May I say here that the case of the watch industry that was put before the Tariff Commission—

Senator MALONE. You better hang on to that one because that is about the only one you have.

And another thing I want to tell you in regard to the watch industry, there is no adjustment now except to go through that whole business again, if the competitive situation changes, which it does continually.

Mr. LYNN. Well, their net profit before taxes would run roughly 40 percent.

Senator MALONE. Before taxes?

Mr. LYNN. That's right.

Senator MALONE. What was it after taxes?

Mr. LYNN. I don't know, sir.

Senator MALONE. Well, I expect it didn't amount to very much because we see to that here, that no one gets away with any money. If we find any, we go after it again.

I am not in favor of that, either. I have been against this billions to Europe and high taxes and excise taxes and all the rest of it, but I am getting just about the same place there as I have been getting with this free trade.

Mr. LYNN. I think you are making some real progress there.

Senator MALONE. I don't think so. I think we have not made much progress because we are still spending the money. You can't reduce taxes as long as you insist on spending it. I don't think you can.

Now, after you have done all these things again and left the impression that everything is going to be all right, you have one man making the final decision, do you not, both under this extension and under the old act?

Mr. LYNN. Yes, sir.

Senator MALONE. That is helpful.

Now, when you petition the Tariff Commission in your last setup there, what good does it do or what assurance do you have of relief even if the Tariff Commission decides that you are correct? What assurance do you have that the Commission recommendations will be approved when all the history is against the adoption of their findings?

Mr. LYNN. Well, sir, as I said in the beginning, we have not been completely happy with the action under the Trade Agreements Act, what we call to choose the Reciprocal Trade Agreements Act.

Senator MALONE. I think from your point of view it is a very fine thing, because naturally, when the news goes out it is reciprocal trade, most people are for reciprocity if they get any.

All we have gotten out of it so far is a \$275 billion debt, which, added to the States' debts, is more than the tax valuation of the United States of America, and it is not too healthy.

And now you are producing more of one product than you can consume here, and your position I understand perfectly.

You want to sell more of it in foreign markets and you want someone to have the right to restrict production of another product so im-

ports can come in and they can get the money to buy yours. Now, I understand your position.

Mr. LYNN. That is not our position.

Senator MALONE. What is it?

Mr. LYNN. We are exporting from the United States roughly \$15 billion worth of products annually.

Senator MALONE. How much does it cost the taxpayer?

Mr. LYNN. Well, since 1945 it is true that we have spent a tremendous amount in the form of economic grant aid.

Senator MALONE. How much?

Mr. LYNN. About, roughly, \$10 billion or more.

Senator MALONE. Well, that is not very much in consideration of the \$275 billion.

Mr. LYNN. I think it is a lot.

Senator MALONE. You are an important industry and maybe you are worth it. What prices are these exports costing? How much does it cost you to do this export business you are doing?

Mr. LYNN. Well, I don't know. Roughly, I judge that there must be about \$2 billion now in the carryover of the old Mutual Security Act and the Foreign Operations Administration Act that is being used in the form of aid and we get it back. I would say, roughly, \$2 billion out of the \$15 billion and that includes everything agriculture and nonagriculture.

Senator MALONE. What is that?

Mr. LYNN. Roughly, \$2 billion of the \$15 billion we are exporting, perhaps, is in the form of economic grant aid to other nations.

Senator MALONE. You said there we get some back. What is it we get back?

Mr. LYNN. Oh, we get back a lot of valuable products in the form of imports.

Senator MALONE. In the form of imports? How would that profit us to get imports?

Mr. LYNN. Would you allow me to refer you to page 5, the insert between pages 4 and 5 with regard to the critical needs—

Senator MALONE. Perhaps I have the wrong thing.

Mr. LYNN. It is a chart.

Senator MALONE. Oh, here it is; I am sorry.

Mr. LYNN. I hesitate to present anything here having to do with minerals because I know you are an expert in this field.

Senator MALONE. I want to clear that up for just a minute. I am here in the United States Senate for the United States of America, and while you have abused minerals quite a good deal, it is nothing to what you have done to some other industries.

You have just closed many of our mineral producers down and made us depend on offshore areas for certain things that you can't fight without, and can't get them when a war starts.

But I am interested in 50,000 other products. I am interested in a man being able to invest his money in this country with a reasonable assumption that Congress has set up a principle upon which he knows his investment is going to be reasonably protected.

Mr. LYNN. We are, too, sir.

Senator MALONE. Well, if you are, your testimony is not very clear on that point.

You are now for taking away from the principle. We have abolished the principle and we can inject international politics, we can inject any conclusion that the country's economy might be benefited by abolishing a certain industry.

Congress never, until 1934, instituted that principle. Now you are for that principle for some reason that I deduce you think will help your product.

Mr. LYNN. Not our product, America, sir. We are for the total economy because we as farmers prosper as the total economy prospers.

Senator MALONE. I am glad you understand that. And Congress has taken cognizance of the farm problem and has appropriated the money. But it looks to the Senator from Nevada as though some industries are getting penalized twice.

We take the money from these individuals and companies to pay for the product and store it, and then we abolish certain sectors of the industry in order to import many of these products, so we are not protected on principle, at all.

We have abolished the principle and put it in the hands of one man, who is a virtual dictator. That is what we have done, actually.

Mr. LYNN. Well, we are for the prosperity that we have now and will continue to have, Senator Malone.

Senator MALONE. I think you are making a very broad statement. Right now you are living off our fat. We are producing hundreds of millions of dollars worth of obsolete war equipment and sending it to Europe and we are afraid to stop it for fear of unemployment.

We have an FOA that scatters money all over the world like a drunken sailor on the theory that this money will go to buy our products. You know what a banker would say to you if you went into a business in a grocery store and you wanted to borrow money to scatter around the neighborhood for people to buy more groceries, you know what he would say, don't you?

Mr. LYNN. Yes, sir. I think I know.

Senator MALONE. That is what we are doing and that is our prosperity. We are treading water.

Mr. LYNN. But our exports, Senator, which are averaging about \$15 billion annually—

Senator MALONE. Well, I hear so many estimates here of what they are averaging, what do you deduct from these exports?

Mr. LYNN. Well, this is not including direct military items.

Senator MALONE. Well, we got down to \$11 billion yesterday. I don't know just what you base this on because here is another thing you can do in your spare moments.

If you will deduct the cost of the war equipment that we are exporting all over the world and deduct the money that we appropriated for FOA and other extraneous departments to scatter over the world, you are right back to 5½ percent of exports that you had for 50 years.

I will guarantee you will get that result even with your figures if you will just go ahead and do it, and your legitimate exports where you get the money, you pay for what you import and you get paid for what you export, would average over a period of three to four decades to 4½ to 5½ percent.

Go ahead. I would like for you to explain this table.

Mr. LYNN. This table is designed to show, and it does show, the critical situation with regard to some of the strategic material. This is

projected through 1975, based on the rate that we are increasing the use of some of these critical materials. The main point of our putting it in here is to show the portion we now get even with our consumption of our critical minerals now—the consumption we are dependent on from abroad; as much as 67 percent of some of these critical materials. Cobalt as much as 92 percent.

And our purpose in doing this—

Senator MALONE. I see you have quite a range there. I would not want to go into them one by one.

Do you have any idea what happened to fluorspar, for example?

Mr. LYNN. No, sir; I do not.

Senator MALONE. I will tell you what happened to it. I wish you would just take occasion to look it up if you have any doubt about it. They lowered the tariff on it, so that Mexico and other Nations have destroyed the fluorspar industry in this Nation.

In the State of Illinois the boys are on the street, simply because the duty is below that differential of cost of production. You can get all of the fluorspar that you need, if you will just let the boys go to work, and they can and will go to work when we can afford to operate our own fluorspar mines. We have plenty of fluorspar but the market has been turned over to foreigners.

That is true of many products. Many of them you would not produce all that you need, like lead and zinc. Lead and zinc were produced in quantity of about two-thirds of what we need in this country, and that was when we had a tariff that closely approximated the differential in cost between this and foreign nations.

Now we are producing about one-third. We are lucky to be producing any.

The mines in Utah, the mines in Colorado and the mines in California, and the mines in Nevada, those mines are down and the boys are out in the street.

The lead and zinc miners are on the streets, because the stuff is being dumped into this country from foreign countries, due to a low tariff that does not even approach the differential I am talking about.

It has turned what we termed "ore" into country rock. It is just as simple as that, because we call ore something that you can mine at a profit, and you can mine much of it at a profit if you have that differential of cost represented in the tariff.

Let the Tariff Commission put the tariff up or put it down as the relationship between two countries, the chief competitive nation on each product and this Nation, exists. Is that clear to you?

Mr. LYNN. It is reasonably clear.

Senator MALONE. Why do you put a table in here that you yourself do not understand as to why this condition comes about?

Mr. LYNN. I would like to have an opportunity to explain why we put the table in.

Senator MALONE. Go ahead.

Mr. LYNN. We put the table in to illustrate this one point that we are in vital need for the importation and we are dependent upon the importation of many of these strategic and critical materials as indicated here.

Senator MALONE. You are of the opinion that no duty should be on anything?

Mr. LYNN. No, sir.

Senator MALONE. Where we do not produce 100 percent, is that it?

Mr. LYNN. We are not advocating that.

Senator MALONE. Under your policy you will find we would not produce any here, if that is helpful to you. For 22 years you have been going down, except in wartime.

Mr. LYNN. I point out here that we have a tremendous surplus of agricultural commodities.

Senator MALONE. We know that already. We have been wrestling with that here for the 8 years that I have been in the Senate.

Mr. LYNN. What we are trying to do under the reciprocal trade agreement program is to encourage the sort of production of these critical materials, that we are dependent on for imports, and we believe in so doing we can utilize the food and fiber resources that we have.

Senator MALONE. Do you mean, by increasing the imports of these products?

Mr. LYNN. That is right—that is right.

Senator MALONE. I understand that is your point.

Mr. LYNN. That is right—that is the only purpose of it. That was the only purpose in putting it in there.

Senator MALONE. I do not know how you could have said it plainer. Please go ahead. You want the tariff on these products to go below that differential of cost.

Mr. LYNN. No, sir. We have not said that.

Senator MALONE. Why are you not for the 1930 act that guarantees that to an investor, so that he can put his money into it?

Mr. LYNN. The 1930 act did not provide for any reciprocity.

Senator MALONE. Look, my friend, reciprocity comes to you if you put your own stuff on the line. And if every nation in the world had a tariff act like ours you would have plenty of trade. They do not have it. Their tariffs have gone up. They have not gone down. They are away above, in most of these countries.

I am making a report now on the Western Hemispheric nations.

The reason they are above, generally speaking, is because they use it for revenue purposes. We do not use it for revenue. We have not for a long time.

But in some cases, like Mexico and other countries, they have deliberately raised the tariff to protect their own industry in their own nation.

We are practically the only nation on earth that is not for our own nation.

Mr. LYNN. That is one reason, sir, that we, on page 7, item 4, we make a recommendation for an amendment to H. R. 1.

Senator MALONE. Could I ask you one question about that?

Does it change the situation or is one man still the final judge?

Mr. LYNN. One man is still the final judge.

Senator MALONE. All right, that will be good—I am glad to know that. I already knew it, but I wanted you to say it.

Mr. LYNN. I will begin on the top of page 4.

Within the framework of safeguards, we see little likelihood of injury to American producers through implementation of H. R. 1.

Senator MALONE. Do you see anything in the injury already done to American industry?

Mr. LYNN. No.

Senator MALONE. You do not?

Mr. LYNN. No.

Senator MALONE. You do not see any injury done to the glass industry?

Mr. LYNN. No, sir.

Senator MALONE. Or to the crockery industry?

Mr. LYNN. No, sir.

Senator MALONE. Just shut it down—is that it—you would not call that an injury—that is dead—they are killed.

Mr. LYNN. There is a lot of injury claimed in agriculture, and was, 8 or 10 years ago.

Senator MALONE. I am not talking about agriculture. When you shut a plant down because you cannot pay the wages, that kills it—it does not injure it. Is that what you mean?

Mr. LYNN. I expect if you investigate that, these people that were working in the crockery industry, that they are, perhaps, doing better than when they were in the crockery industry.

Senator MALONE. The boys do not say so but then if you think they are, well, let that stand. They are unemployed, if that is what you mean—most of them. Unless our people are employed, it is not good.

Ninety percent of the zinc workers and the lead workers are on the streets today. They do not think they are better off.

On what basis do you judge that they are better off unemployed?

Mr. LYNN. They are not better off unemployed.

What I am saying to you is that we have about 63 million people employed in this Nation, which is the highest number we have ever had.

Senator MALONE. I suppose that is right. We do increase in population, some, do we not?

Mr. LYNN. Yes, sir.

Senator MALONE. But with these boys on the streets, the other 62 million or 61 million or 63 million, it is not very helpful to them, is it?

Mr. LYNN. Will we get them back into the mines if we increase the duty to 100 percent?

Senator MALONE. Nobody has ever suggested that any duty go to 100 percent.

Mr. LYNN. Or any percent?

Senator MALONE. Yes. If I may go over this again, section 336 of the Tariff Act fixes the principle upon which the Tariff Commission shall fix the duty, and if fixed on that principle they will go to work. That is the fair and reasonable competition, giving them equal access. These workers and industries should have that, to their own American markets. That is what you oppose, I understand.

Mr. LYNN. Well, we would if we put these people to work digging lead or other minerals, and stockpiling it for future needs.

If necessary we would support legislation in the Senate or the House to have the Government buy these critical materials and put these men to work.

Senator MALONE. I do not have any expectation that you will understand it, but I want to tell you again that an Executive order to put minerals or anything else in a stockpile is not a basis for investment of capital. Capital has been ruined in many of these industries, and no private capital is going back as long as one man has the final authority to put them out of business again.

There is very much of a limit to what you can put in a stockpile, because the same joker that orders the stockpiling can order it discontinued. You would not put your money in it. I would not, and no one else will, except the ones that are already in the business, who hung on just as long as they could. Now they are down. They are out of business. The boys are on the streets. The capital is gone.

That ought to be some satisfaction to you, because I see you understand nothing about it whatever.

Mr. LYNN. I am just a small country boy from South Carolina.

Senator MALONE. I am a small country boy from Nevada.

Mr. LYNN. I am sorry that I have not—

Senator MALONE. At least, I do not try to tell somebody about his own business. I know that there is a lot about your business that even with all of the testimony here I do not understand. I am for helping you. I think that is shown by my past actions here on the Senate floor, but when you come in with an idea that you are putting over something that is going to help your industry at the expense of another industry, I cannot help but question you at some length.

Mr. LYNN. Well, if you have that conception, sir, I am sorry. I have not made myself clear.

Senator MALONE. You really have not because you want this thing not on the basis of fair and reasonable competition—you want the whole situation put in the hands of one man so that he can rearrange the industrial map of the United States of America. That is what you have testified you wanted. At his own discretion.

Senator CARLSON (presiding). Where are you reading?

Mr. LYNN. Page 4, the second paragraph.

Under past reciprocal trade programs, concession on carbon have been gained from 20 countries; wheat, 18 countries; tobacco, 30 countries; apples, 33 countries; lard, 21 countries; and dried milk, 28 countries.

These are the examples of the benefits that accrue to American producers from the reciprocal trade agreements.

Senator MALONE. This is American producers of agricultural products that you are talking about?

Mr. LYNN. That is right.

Senator MALONE. I have been here now since 10:30 this morning, Mr. Chairman. I have had no lunch. I have missed the Senate session. I must say that as long as these men testify I shall be here. I have asked that a recess be granted. This man lives in Washington. There is no reason why you cannot come back in the morning when we could have another session. I again suggest that we recess and get some lunch.

Senator CARLSON. I would assure the Senator from Nevada that I should like to, but I have been asked to take over temporarily. I understand the chairman of the committee will be back in a few minutes.

Senator MALONE. I will stay until this man is through, because I do not intend that this record they are making go unquestioned.

Senator CARLSON. You may proceed.

Mr. LYNN. Protection for producers of basic minerals.

Objections to H. R. 1 have been raised on grounds that it may threaten domestic producers of minerals. Not only are domestic mineral producers protected by all the procedures we have just described,

but in addition by a rapidly expanding domestic demand of those minerals.

Senator MALONE. Is that the only question that has been raised?

Mr. LYNN. There have been many other questions that have been raised, but Senator Byrd asked us not to repeat the testimony that we gave in the House.

Senator MALONE. I am asking you to tell me what industries there are now that would be injured as you have testified. If you are going to put one of them in, put all of them in. I am asking for that. I am a member of this committee.

Mr. LYNN. Did you want us to insert it in the record?

Senator MALONE. I am asking you now to tell me if you are going to put this in. If you do, we will go right through the whole thing.

Mr. LYNN. I can. I will have to go through volumes 1 and 2 of the House Ways and Means hearings on H. R. 1.

Senator MALONE. That would suit me fine.

Mr. LYNN. Go through this hearing, and pick them out?

Senator MALONE. We will stay here until midnight, if we have to. I am not particular.

Mr. LYNN. Do you want to go into that now?

Senator MALONE. Yes, go to this first and then continue.

Mr. LYNN. Suppose I name 3 or 4 that I know of specifically just from my own knowledge.

Senator MALONE. Then we will see what happens after that. All right.

Mr. LYNN. The domestic textile industry has raised some objections to this bill. I understand the Westinghouse people, and some of the producers of electrical appliances have.

Senator MALONE. Why do you suppose they would question this bill?

Mr. LYNN. I do not know. I have not been able to figure why they would.

Senator MALONE. Do you want me to tell you something about it? It will take me about half a minute. They question it because the manufacturers abroad have large machinery, power machinery, hydraulic machinery, pay about 43 cents an hour, as in England, and they are just as efficient in making these materials, and they use the same methods that they do here where they pay \$1.89 an hour. That is the reason.

Mr. LYNN. I did not know that.

Senator MALONE. I knew you did not know it. You do not seem to know anything about any other industry but your own, but you go right ahead and take them up one by one and I will try to help you.

Mr. LYNN. Well, we can, if I might call on the clerk of this committee, furnish part II of the hearings before the House Ways and Means Committee.

Senator MALONE. You can call on me to furnish it, if you have to. I will get it for you.

Mr. LYNN. I would be happy to go through it here and inject these into the record.

Senator MALONE. Go right to it.

Mr. LYNN. But, Mr. Chairman, I would hope that we could just insert this into the record, rather than to read it.

Senator MALONE. I will have to question you, if you are going to be an authority on it, just like on minerals.

Mr. LYNN. Our purpose in putting this chart in here—

Senator MALONE. You have already explained your purpose. I understand it thoroughly; that is, to make a clear case that if we continue to increase imports of other products, you can increase the exports of your products. That is very clear to me.

I do not think you need to do that. I think Congress has taken pretty good care of you. I am very anxious that you complete your testimony in the next 6 or 7 hours, anyway. We will stay around for that.

Mr. LYNN. I would be happy to complete reading the testimony that I have here.

Senator MALONE. You go on to the minerals, and then we will start on the other products that you have referred to. If you do not want to refer to them in your testimony, that is another thing.

Mr. LYNN. This is our statement, and we stick to it.

Senator MALONE. You have already referred to the others?

Mr. LYNN. Yes.

Senator MALONE. So we will stick to those.

Mr. LYNN. Then I will be happy to insert into the record at the proper place these others, if you wish.

Senator MALONE. You read it and I will question you.

Mr. LYNN. For example, informed circles indicate a continuing copper and nickel shortage. We in agriculture are concerned, for example, with the report that we have less than 100 years' supply of potash. We expect to be in the farming business a lot longer than 100 years.

Senator MALONE. Who made the estimate of 100 years?

Mr. LYNN. We got that from the President's Commission that made this long study 2 or 3 years ago with regard to the basic commodities.

Senator MALONE. What keeps potash from coming in here, if there is a tariff that just makes up that differential—what prevents the import of potash above what we produce each year?

Mr. LYNN. Well, the Tariff Commission has just gone through a hearing on that at which we appeared.

Senator MALONE. You are against any tariff on it, I suppose?

Mr. LYNN. No, sir. There is already a tariff on potash imports.

Senator MALONE. What was your testimony in that regard?

Mr. LYNN. We were against the proposed increase that the domestic producers of potash tried to get the Tariff Commission to recommend to the President.

Senator MALONE. Did they testify that the duty is below their differential of cost?

Mr. LYNN. I think they so testified, but the facts are that their returns on their investment before taxes is running in the neighborhood of 40 to 50 percent, according to our best information. And after their taxes, their profit on their industry is quite good. We appeared before the Tariff Commission in opposition to this because one of our real costs in agriculture is fertilizer and this would have meant an addition of about \$10 a ton to the cost of fertilizer to farmers in the United States.

We thought that the profit being made by the domestic producers on potash was sufficient not to justify an increase of \$10 a ton.

Senator MALONE. In other words, you testified that the tariff is already sufficient to make up that differential of cost and they are making a profit?

Mr. LYNN. That is right.

Senator MALONE. You did not testify that you wanted it below that?

Mr. LYNN. No, sir.

Senator MALONE. Below the differential?

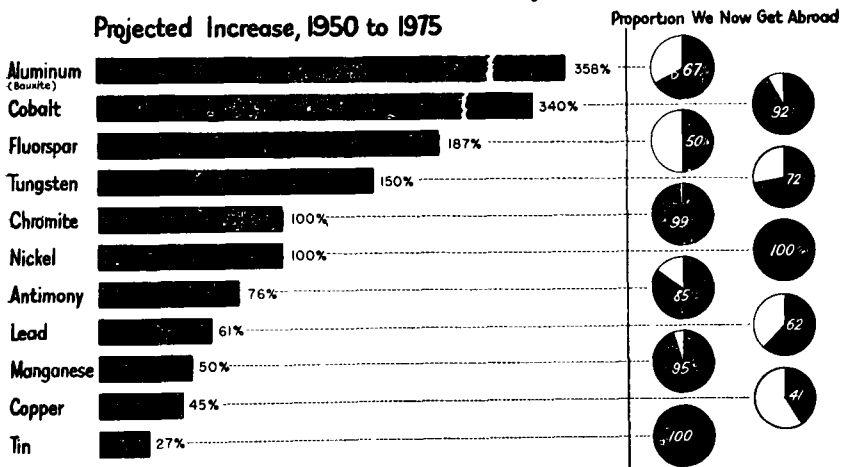
Mr. LYNN. No, sir; we did not.

Senator MALONE. I think that is very nice of you.

Mr. LYNN. The appetite of the United States economy for raw materials has prospects for a phenomenal growth. The accompanying chart, United States Raw Materials Requirements, illustrates the prospective market for domestic raw materials. We believe this prospective market, plus an intelligent stockpiling policy within the safeguards of H. R. 1, will protect domestic producers of raw materials.

(The chart is as follows:)

U.S. RAW MATERIALS REQUIREMENTS



Senator MALONE. Let us get this straight again. You are still for one man decision regardless of whether it represents that differential of cost of production or not? He can make the decision on any other factors that he sees fit, is that correct?

Mr. LYNN. Based on the evidence that he gets. Sure, he can make the decision.

Senator MALONE. He can make the decision?

Mr. LYNN. Yes, sir.

Senator MALONE. You want to change the principle laid down in the 1930 Tariff Act, that the tariff shall represent that general approximate difference in cost of production here and in the chief competitive country to a one-man decision—that is what you want?

Mr. LYNN. That is right.

Senator MALONE. All right.

Mr. LYNN. To protect our economy as a whole, we believe it is wise to encourage the import of supplemental supplies of critical materials within careful procedures to protect domestic producers.

Senator MALONE. Why do you want that?

Mr. LYNN. We think that it is necessary, particularly in the case of the production of these critical materials here in the United States and we ought to have a very healthy industry in lead and zinc and other minerals.

Senator MALONE. How do you have that healthy industry?

Mr. LYNN. Well, we can have a healthy one.

Senator MALONE. You do not have a healthy industry now, if it is any news for you.

Mr. LYNN. I am not familiar enough with each specific case.

Senator MALONE. I did not suppose you were.

Mr. LYNN. With the individual industries, but I just noticed the day before yesterday that Mr. Arthur Fleming was allocating some copper and some chrome out of the stockpile because of a lack of production here in the United States.

Senator MALONE. You know why that lack of production is, do you not?

Mr. LYNN. I do not know. I have been out to Butte, Mont., and I have seen a lot of activity there. I kind of assume that the way we are using copper and these other materials now it was causing them not to be able to keep up with the demand.

Senator MALONE. We have an absolute free trade on copper.

Mr. LYNN. We do?

Senator MALONE. There is nothing to protect the new man going into business. The companies now in the business are in business in Chile, and they are just like a gas station on the corner. If someone wants to break them, they are able to do it—as they can go in and lower the price until the competitors are out of business, and then they can raise the price. They just raised the prices, was it to 32 or 34 cents?

Mr. LYNN. I do not recall.

Senator MALONE. There are only three companies in the business. Free trade is what you have. If you have a protective tariff on it I will guarantee that there will be some new men in the business.

Mr. LYNN. We make it clear, I hope, sir, that we are for the protection of the domestic producers. H. R. 1 gives this protection.

Senator MALONE. Would you be for a tariff on copper that would make up that differential of cost between here and the chief competitive nation?

Mr. LYNN. I would not be able to answer that, because I have not studied the facts.

Senator MALONE. How do you think you are for it then?

Mr. LYNN. If the copper producers feel that they have been injured or have prospects of being injured we would be for them going through the procedures set up under the law.

Senator MALONE. And then take what they got?

Mr. LYNN. And if they can prove their case—

Senator MALONE. And take a one-man decision—that is what you are for?

Mr. LYNN. Yes, sir.

Senator MALONE. All right, I understand that thoroughly. There were a few additional copper companies in the business. They are out of business now for your information, except one in Arizona which I think was given \$90 million of Uncle Sam's money, which is the taxpayers' money, so that they could go into business.

Mr. LYNN. Yes. I assume your figures are correct.

Senator MALONE. And others that are in the business have a guaranteed unit price, some of them. Most of them have a short amortization period. You are for all of that, I understand that.

Mr. LYNN. It would be unwise to pursue a long-time national policy which in 25, 50, or 100 years would exhaust or impair our supplies of industrial raw materials. We should assure them through imports, if we can't get them through domestic production.

We wish to summarize the major points of our previous statement in support of the enactment of H. R. 1.

IMPORTANCE OF EXPANDING INTERNATIONAL TRADE TO OUR NATIONAL SECURITY

In the formulation of national policies, our security interest, the preservation of our freedom and the prosperity of the Nation as a whole, must be given major consideration. Our foreign trade policy, partially implemented through the reciprocal trade agreements program, has important and far-reaching effects. Our national security can best be maintained with an increasing number of allies, each with increasing strength. An expanding and mutually profitable trade among nations promotes national security by creating healthy economic bonds of self-interest among nations.

The President's budget message on Monday, January 17, proposed \$40 billion—65 percent of the total budget—for national security. It is only commonsense and good business that all national policies should reinforce this national security effort, not only to avoid waste but, more important, to assure that we achieve security. An expanding and mutually profitable international trade will reinforce our national security program. An extension of the Reciprocal Trade Agreements Act, with the authority that would be given to the President by H. R. 1, is an important measure for expanding international trade to accomplish this objective.

Senator MALONE. At that point I would like to interject, Mr. Chairman, an estimate that was made in 1944 by a very distinguished citizen, that we were out of all of these materials. This is a little longer estimate than 100 years. That is quite a while.

And assuming that no discoveries will be made, as there always have been.

Senator CARLSON. Did you say 1944?

Senator MALONE. Yes, sir. On March 7, 1944, a man by the name of Harry Dexter White, prepared a memorandum along the lines that you have prepared, and this memorandum was obtained from Princeton University. I sent one of our investigators up there. And the subject was: Proposed United States Loan to the U. S. S. R.

And it is to Secretary Morgenthau, from Mr. White, who was then an Assistant Secretary of the Treasury.

The following memorandum is in reference to your request that the feasibility of the extension of a large credit to the U. S. S. R. in exchange for needed strategic raw materials will be explored.

It is not the first time it has been thought of.

Your opinion that such an arrangement might well be feasible appears to us to be supported by our study of the possibilities.

1. Recent confidential reports on our raw material resources prepared for the Under Secretary of Interior disclose an increasing dependence of the United States on foreign sources of supply for strategic raw materials because domestic reserves have been seriously diminished or virtually depleted.

2. The following table indicates the extent of United States current reserve supplies for some important strategic materials which can be produced in quantity in the U. S. S. R. in terms of prewar and current war, domestic requirements.

There is a table here, a very enlightening table. It is headed: "Reserve domestic supplies."

Petroleum, 13 years' supply. That was in 1944. In 1957, we will be out of petroleum according to Mr. White.

Manganese, 3 years' supply, on the basis of 1944 consumption.

Tungsten, 3 years' supply.

Zinc, 8 years' supply on the basis of 1944 consumption.

Lead, 6 years' supply.

Chrome, less than 1 year's supply.

Mercury, 2 years' supply.

Continuing the Harry Dexter White memorandum :

3. It is evident from the above table that, although our domestic reserves of petroleum, tungsten, and zinc may suffice to meet consumption requirements for the next decade, they will be almost entirely dissipated by the end of that period; in the case of manganese, chrome, mercury, and lead our resources are too limited to satisfy even probable domestic requirements of the next 10 years. The number of strategic materials for which our reserves are very low and which can be produced in the U. S. S. R. is greater than indicated above, and includes platinum, vanadium, graphite, and mica.

For the information of the committee, vanadium is kind of a drug on the market now, and there is so much in sight that no one can estimate it. And oil is about in the same way, that is, petroleum.

As to mica, there is a synthetic mica that does the job so they think, better than the regular mica.

Returning to the White memorandum :

4. Although our reserves of strategic materials could be somewhat expanded, given an increase in price to make possible further development of marginal resources, the necessity of growing United States dependence on foreign sources of supply in order to satisfy anticipated postwar industrial requirements and to maintain adequate security reserves, is inescapable.

They are "marginal" in this country, whenever you pay wages greater than the competitive country. That is the way Mr. Harry Dexter White put it. And from the testimony here for the last 2 or 3 days, he has plenty of followers.

Then in parenthesis :

(See attachment I for complete table on United States metal reserves.)

And then there is a heading: "U. S. S. R., untapped raw materials reservoir."

You could use any nation like India, where neutrality is about the best you could expect. They have plenty of some of these resources. They probably would be against us.

To quote again from the White memorandum :

1. The U. S. S. R. is richly provided with a wide range of strategic raw materials, including metals, minerals, timber, and petroleum, but the unequalled degrees to which these have been developed will limit the number and volume that may be available for export in the immediate postwar years.

2. Rapid economic reconstruction and expanded resources development could greatly enhance the export surplus of the U. S. S. R., could sustain large-scale exports of metal and metallic ores, petroleum, and timber at an average annual value of at least \$500 million, not including exports of other materials such as furs and semimanufactures.

3. It therefore appears that a financial agreement whereby the United States would extend a credit of \$5 billion to the U. S. S. R. for the purchase of industrial and agricultural products over a 5-year period, to be repaid in full over a 30-year period, chiefly in form of raw material exports, would not only be advantageous to the United States, as well as helpful to the U. S. S. R., but would be within the limits of feasible trade between the two countries, since the amount we would wish to purchase would be in excess of the repayment which the U. S. S. R. would be required to make under the proposed loan terms.

You will be interested in the agricultural products.

Mr. LYNN. Yes.

Senator MALONE. This was \$5 billion that he was advocating. And then there is in parenthesis:

(See attachment II for suggested terms of U. S. S. R. repayment for United States credits.)

The proposed financial agreement appears practical because:

1. The prewar restricted pattern of trade should not be used to define the potentials of postwar trade between the United States and U. S. S. R. since both economies have been fundamentally restructured by the war. In both the United States and U. S. S. R. the accelerated expansion of production capacity and national output which has been achieved during the last 3 years indicates the new and larger dimensions which foreign trade can assume in both economies in the postwar period.

That is an idea.

You do not want to divide that, do you?

Senator CARLSON. Yes; I will.

Senator MALONE. And then there is in parenthesis:

(See attachment III for a summary of United States-U. S. S. R. trade relations during the interwar period 1918-38.)

(a) The low level of prewar international trade relations were both a symptom and a cause of deteriorated economic and political international relations. It is realistic to assume that as compared with prewar years a decreasing proportion of expanding Soviet resources will be devoted to war industries, thereby creating an enlarged export potential through the release of resources.

3. Since the U. S. S. R. has completely state-controlled economy, the extent and character of its surpluses and deficits (i. e., imports and exports) are largely determined by planning decisions covering the allocation of manpower, materials, and equipment, it will be possible for the United States to influence the Soviet pattern of anticipated national surpluses and deficits.

4. If United States trade plans are premised on an expanded volume of trade and a correlative increase of United States import requirements, the expansion of trade between the United States and U. S. S. R. need not necessarily involve a reduction in total United States imports from other areas.

In other words, we could expand and get practically all of these materials from the U. S. S. R. and still import the same amount from other nations.

The proposed financial agreement appears desirable because:

1. The United States will obtain access to an important source of strategic raw materials which are expected to be in short supply in the United States after the war.

2. The United States will also be assured an important market for its industrial products since the U. S. S. R. represents one of the largest single sources of demand in Europe and is ideally suited to supply us with a large and varied

backlog of orders for both producers' and consumers' goods. Such a sustained demand could make an important contribution to the maintenance of full employment during our transition to a peace economy.

I followed your testimony carefully. I agree that you agree with this outline.

3. Moreover, the United States will not only be assured a desirable market because of the anticipated volume of demand the U. S. S. R. will exercise, but because of its superior repayment potential compared with other foreign buyers of American products.

4. An arrangement of this character would provide a sound basis for continued collaboration between the two Governments in the postwar period.

That is signed by Harry Dexter White, William Henry Taylor, Irving S. Friedman, and Sonia Gold.

It seems I have heard that name before.

Now, for your information, the Secretary of the Treasury transmitted to the President of the United States this memorandum almost in toto—hardly changed a word. The then President of the United States issued this memorable statement dated July 23, 1946, which continued this idea of the have not policy of the United States, started under the aegis of the Roosevelt regime. The President says:

I have today signed the Strategic and Critical Materials Stockpiling Act because it is important to the national interest that this Government have the power to acquire stockpiles.

It is only because of the overriding importance of this purpose that I am able to overcome my reluctance to signing a bill which reaffirms the application to stockpile purchases of the provisions of title III of the act of March 3, 1933 (47 Stat. 1520), known as the Buy American Act. Those provisions will not only materially increase the cost of the proposed stockpiles but will tend to defeat the conservation and strategic objectives of the bill by further depleting our already inadequate underground reserves of strategic materials.

He is objecting to paying the wages here, to get this material.

Right in line with your testimony. This report sort of blows that thing out of the water, if you are interested in it. It is Report No. 1627. It might be very helpful if you will get to a field entirely foreign to you. I will not read further. It is all available there.

That is one of the reasons that made me so mad that I ran for the Senate.

Mr. LYNN. It is very interesting.

Senator MALONE. It is interesting, is it not?

Mr. LYNN. Yes.

Senator MALONE. And this man had a lot of followers who did not know they were talking about this.

Mr. LYNN. Which man do you refer to, the President?

Senator MALONE. Harry Dexter White.

Mr. LYNN. Sir, I hope that you will not let that stand in the record or even imply that I am a follower of Harry Dexter White.

Senator MALONE. I knew that.

Mr. LYNN. Can we strike that from the record, sir?

Senator MALONE. I will say now that I do not think you are knowingly a follower of any of these fellows.

But, when you testify that we are going to be out of something in 100 years, that is entirely out of your field, you have picked it up from some report, and all of the history of production in this country and in the Western Hemisphere proves that if there is a profit in these things you will find more deposits.

We did not have any uranium. We had to protect Belgium, because we had to get uranium from the Belgian Congo.

In 1944 I published a report on the 11 Western States and covered uranium.

If we treated our taxpayers one-half as well as we do the foreigners, the uranium would be running out of our ears. Even the women and children know that now.

Senator CARLSON. The Senator from Nevada, I would suggest in all fairness, that we clear the record on this one point.

Senator MALONE. Read what I have said there. I will be glad to clear the record with this witness, because it is pure ignorance that makes people follow a man like that.

They do not know the sources of their information. It is like these catchwords and phrases invented by the London bankers. We think they are the truth. They are just invented to sell a bill of goods to the United States of America. And we mouth these same things. It is a terrible thing, Mr. Chairman.

Senator CARLSON. The Chair would like to suggest that just in that one section there it be cleared.

Senator MALONE. I would like for the reporter to read it.

Senator CARLSON. The word "follower," I think that should be stricken.

Senator MALONE. I have no idea of attributing to you any following of this kind of a man, but a man can easily follow the teachings of this kind of a man and not know it.

Mr. LYNN. Sir, I am the official witness here today, not for myself, but for 1,609,461 farm families in the United States, who are members of the American Farm Bureau Federation and when you attack me you are not attacking me personally, you are attacking 3 out of 4 organized farmers in the United States.

Senator MALONE. I am trying to teach you a lesson, and if I have missed it, then I have missed my forte.

I want these 1,600,000 farm families that I am very close to—I want them to understand what is coming before this committee, and I intend that they see it.

Mr. LYNN. This statement will be printed in our publications, going to these people. They know what this is all about.

Senator MALONE. I am happy that it will be, because if there is any organization I am for it is the Farm Bureau and the Grange, and the things they are trying to do, but they must understand, too, that the kind of testimony that is going in here is entirely out of their field—talking about things out of their field.

Most of the—

Mr. LYNN. You will be surprised how many people in Nevada understand the value of trade on a sound basis.

Senator MALONE. I know what they understand, and I understand them. They do not want to hurt anybody. They do not want to put the miners of Nevada out of business, any more than the miners want to put the agriculturalists out of business. I have supported the farm program, because you have had to do something with it. Let us find something to do with it though, that does not close other industries.

Mr. LYNN. We are not advocating that, sir.

Senator MALONE. You are advocating a change in the principle of fair and reasonable competition and putting it in the hands of one man

who may do that very thing with his own judgment. That is what you are advocating.

Mr. LYNN. We have a lot of confidence in the President of the United States.

Senator MALONE. Well, so do I. He is my President. I helped elect him. And I will help elect him again if he wants to be nominated and elected.

But this is the Congress of the United States that you are appearing before today, a committee of the Senate.

Mr. LYNN. Yes, sir, I have a great deal of respect for all of the Senators and Congressmen.

Senator MALONE. All we want is a clear record as to the background of all of the information you have put in this record.

Mr. LYNN. Shall I continue to read, sir?

Senator CARLSON. Yes, sir.

Mr. LYNN. Importance of expanding international trade to our national prosperity.

All other aspects of international trade should be subordinate to national security. Nevertheless, there are important economic reasons for expanding international trade. These are largely based on the economic self-interest of the United States.

For example, in agriculture, our wheat, cotton, tobacco, soybeans, feed grains, rice, animal byproducts and certain fruits and other products are among the most efficiently produced in the world. Our exports of farm products have run as high as \$4 billion in 1951-52. They accounted for roughly one-third of our production of wheat, cotton, rice, and soybeans. This provided a market for the produce of more than 1 out of each 10 acres of cropland. This amount was equal to \$1,000 for each commercial farm. Total farm exports have dropped nearly 30 percent.

We have made great efforts to adjust our production to lower demands. Our prices have dropped. We have imposed income-reducing production controls on wheat, cotton, corn, peanuts, tobacco, and rice. Despite these efforts, the Government has accumulated over \$6.5 billion worth of surpluses, agricultural commodities. Faster adjustments would require a regimentation on American farms which might endanger our economic and political freedom.

We are expanding our domestic markets. We must expand our foreign markets.

To maintain a prosperous agriculture, we need export markets of at least \$4 billion per year at present prices. We have the capacity to supply an even larger foreign demand.

We think our foreign economic policies should be geared to these export needs. Enactment of H. R. 1 is an important step to gear up to this need. We have appended Restrictions to Expanding International Trade Which Should Be Reduced Under the Reciprocal Trade Agreements Program as a suggested guide for congressional intent in implementing the act. At the appropriate time we shall present to the Congress recommendations for further steps to expand trade.

Senator MALONE. In the extension of trade I will have to ask you again how you are going to sell these unless you make up the difference in the domestic support price and the world price—how are you going to do that?

Mr. LYNN. We can produce and compete with most countries of the world in all of the agricultural production. There are some support prices currently in effect that we are not in agreement with, Senator Malone, but generally speaking agriculture will take its chances on being the most efficient producer of food and fiber in the world and we will take our chances on getting the market, but if we are going to get this market abroad we must be willing to trade.

Senator MALONE. What are you going to trade?

Mr. LYNN. Well, we need lots of things we are importing now into this country.

Senator MALONE. What are you talking about?

Mr. LYNN. If we are going to export we have got to import into this country.

Senator MALONE. All right. Why do you not import wheat?

Mr. LYNN. We have sufficient wheat in this country.

Senator MALONE. That is all right. Then, look, what you really want to do and you have said it 40 times today, you want to cut the duty. You want someone to have the right to cut the duty below the differential of cost upon certain products that are being produced in this country, so that you can import more of them, shut off to that extent our own production so that you can sell more of your own products abroad.

Could I come to any other conclusion?

Mr. LYNN. I think you could.

Senator MALONE. How would I? Would you explain that—explain it to me.

Mr. LYNN. Well, it is just as simple as this. If we are going to export we have got to import or continue to give away dollars for these people to buy the products that we need to export.

Senator MALONE. Is that so? Well, now, look—

Mr. LYNN. We are not for that.

Senator MALONE. What you are doing is advocating forcing trade beyond their power to earn money each year. You heard somebody who testified here—I thought it was very clear—who said that there is no such thing as a shortage of dollars unless you force a trade on the earning capacity of that nation to fix a price on their currency above the American price in dollars.

What you are trying to do is to sell them something which they do not have the earning power to buy.

I would be in the same position, and am most of the time—the things I want to buy for which I do not have the earning capacity now to buy. That is what you are talking about, is it not?

Mr. LYNN. We have got to help the nations earn the exchange they need in order to buy these products.

Senator MALONE. What we have done, just in order to complete the record, we have with the taxpayers' money overbuilt their production for their own consumption. And in order for them to run the factories somebody has to buy the production. They are threatening us that if we do not buy it they will limit their sales to the Soviet countries. That is clear. It is blackmail pure and simple. And that has an effect on some of our people.

In 1948 I made that kind of a speech on the Senate floor.

Our own people, many of them, said that all they needed was added production capacity. What are they going to do with it? There is no difficulty in financing added production if you have the market.

My grandson could arrange that. He is 5 years old today. I am due at his birthday party, by the way, but I guess I will not make it. He would know better than that.

But if they do not have the market in their own circle or sphere, and there is no assurance that someone else is going to let them just select their own market, then you will have to get the money to buy it. That is what we did.

We gave them the money to build these plants.

Now you are advocating—we have gone over this 50 times—that you give to one man the authority to say, “Well, import more of the products from these plants so that we can sell more agricultural products.”

Mr. LYNN. That is right.

Senator MALONE. Very clear. Go ahead.

Mr. LYNN. We believe that H. R. 1 is a well-balanced piece of legislation. It provides not only the authority needed to expand trade but also provides desirable safeguards through application of the peril-point procedures and through continuation of the escape clause and section 22 to protect domestic producers and the operation of domestic farm programs from disruptive rates of increase in imports.

Senator MALONE. To keep the record straight, agricultural products are the only ones included in that protection, in section 22?

Mr. LYNN. That is right.

Senator MALONE. And regardless of any peril point, any escape clause, or any other safeguard that you ascribe as a safeguard, one man has the judge as to whether or not that safeguard is utilized or whether it is not utilized; is that right?

Mr. LYNN. That is right.

Senator MALONE. All right. Proceed.

Mr. LYNN. Mr. Chairman, all of the remainder of our statement is identical with the testimony in the hearing before the House Ways and Means Committee.

Senator MALONE. I have not heard it, Mr. Chairman. I have not had an opportunity to question the witness on it.

Senator CARLSON. I suggest that you read it.

Mr. LYNN. All right.

AFBF recommendations on H. R. 1:

We recommend the enactment of H. R. 1 with the following changes which we believe would improve and strengthen our trade agreements programs:

1. Increase stability by extending authority for 4 years.

On page 2, section 2, line 2, we recommend “1958” be changed to “1959.” The policies of the AFBF specifically recommend that the United States should “offer more stability in tariff rates and customs for reasonable periods in return for comparable reciprocal benefits.” Stability in tariffs, quotas, and customs regulations is necessary if private traders are to build markets. United States policies and programs should attempt to give this stability and we should insist that other countries give our exporters similar treatment.

Senator MALONE. Do we?

Mr. LYNN. Not in every case.

Senator MALONE. I would like to ask here at this point if you do not have that stability in tariffs under the Tariff Act of 1930 as we have discussed here today—if that is not exactly what you do have, is stability in tariffs adjusted continuously on the basis of fair and reasonable competition, determining whenever there is an application, or upon their own motion that they want to reexamine a product, that difference in the cost of production between this Nation and the chief competitive nation, and that the Congress has laid down that principle—would you not call that stability?

Mr. LYNN. Well, the provisions of the Trade Agreements Act, the Tariff Commission and these other people take that into consideration. It is still the principle that has been laid down by Congress.

Senator MALONE. Let me just ask you one question so we do not have to rehash all of it. One man can disregard all of the advice, and has before now done that in most cases, and reduce the tariff below that differential at any time he wants to; is that correct?

Mr. LYNN. That is the President of the United States.

Senator MALONE. Under any suggestion you have made in your testimony he can still do it—under any such suggestions?

Mr. LYNN. That is right.

We believe that the extension of the Reciprocal Trade Agreements Act for a period of 4 years would contribute to greater stability.

Senator MALONE. I like the way you continue to use "Reciprocal Trade."

Mr. LYNN. We will suggest to the committee that "Reciprocal" be inserted in the title of this bill.

Senator MALONE. I think that would be very helpful because it might be an amendment. It has never been used. As a matter of fact, the Congress never intended it that way.

Mr. LYNN. You would want it used, would you not, sir?

Senator MALONE. I think it would be very helpful to have some reciprocity, because we have never had it, never since the whole thing started.

Mr. LYNN. 2. Authorize the President to negotiate for conditions to improve climate for investment capital as essential part of trade-expansion program.

We recommend an insertion at the proper place in section 3 (a) (A) giving the President authority under this act to negotiate for conditions in foreign countries which would create a more favorable climate for private investment. The flow of capital among nations is an important part of increasing the flow of goods among nations. A more favorable climate for investment in many parts of the world would have the further effect of eliminating the need for American grant-aid.

Senator MALONE. Do you not think if we did not insist upon making it up and would trade on the basis of fair and reasonable competition they might themselves establish an industrial climate?

Mr. LYNN. We would hope, sir, and we are for the continued elimination of this dollar grant aid, and to put it in the form of sound loans and investments.

Senator MALONE. I am glad that you are. Would they need loans, Government loans of taxpayers' money if they had this investment climate?

Mr. LYNN. I think private industry, private investments would go more freely in many of these countries if they had the right climate.

Senator MALONE. Any time you can take capital into a nation or out, or you can pay your dividends, any time your dollar is worth the amount of the money in any nation that it is worth on the market—any time they do away with the courts and all of the other regulations—whenever you can find a profitable investment, there is 10 times as much money waiting to do it as could possibly be used.

I think you believe that.

Mr. LYNN. That is right, sir, that is exactly what we are suggesting here.

Senator MALONE. Under this tariff act of 1930 you have exactly that kind of a situation. The Tariff Commission can continually adjust the duty on the basis of fair and reasonable competition. That difference of cost. And then they can take into consideration what the reasonable cost is in this country. And if a country knew that all of these shenanigans would not be profitable, do you not think it might bring them to the conclusion quicker than an investment climate is the best method after all of securing development.

Mr. LYNN. I think that is what we are trying to say here.

Senator MALONE. I know you are trying to say it, but you are still recommending that the Congress abrogate its authority, its constitutional responsibility, to the Executive to permit him to do as he pleases about it.

And as long as they know he can do that and has done it continually, I am not talking about any one President—I am talking about all of them—personally I have some knowledge of how this thing is done—a President really has no time to pay much attention to it and has to take someone's advice, and there are some pretty rabid people, about the second or third echelon in some of these departments who are running this business pretty thoroughly, as you will see in that report if you care to look through it. And so would it not be better, instead of putting that in the hand of these people like the State Department, to have it established on a principle, just as we have already, so that a commission that knows how to determine the differential of cost determines it and an investor knows he is going to get that kind of service unless the Congress itself changes the principle?

Mr. LYNN. We believe this act, Senator Malone, does that.

Senator MALONE. Of course, I will have to ask you the question again. Does it leave it to one man to determine whether or not he would decide on a political, an international political situation and have a lower duty?

Mr. LYNN. That is right.

Senator MALONE. Let me say something else to you while I have it in mind. You are aware that the General Agreement on Tariffs and Trade at Geneva has continually readjusted tariffs.

Mr. LYNN. Yes, sir.

Senator MALONE. You are aware of that fact. You are aware that the International Trade Organization was organized as a 50- or 60-nation group that would add up the estimated production and consumption, for the ensuing year, and divide it among the nations of the world. And that this Congress refused to take it. You know that; do you not?

Mr. LYNN. That is right.

Senator MALONE. Then the State Department organized an International Materials Conference. It is described in this report. It will make your hair stand up even better than it does now, if you will read it. And that International Materials Conference was organized by the State Department following the refusal of Congress to take the International Trade Organization.

You may or may not know this to be a fact, but you can read it and check it.

Only recently the Assembly of the United Nations organized another International Trade Organization of about 30 or 35 nations with us voting against it. I am glad to say that. The State Department was before us in this hearing. They say we are bound, anyway, if the claim is made.

What are these organizations scattered all over the world? The United Nations, the Geneva General Agreement on Tariffs and Trade, the State Department's International Materials Conference, which they say they quit using, but it is still there—they are organizations made up anywhere of from 30 to 50 or 60 nations, with us sitting in, with all of the markets of the world in the pot to be divided. How do they think? On the basis of entitlements for consumption? God knows what that means, but the only way you can interpret it is on the basis of population and need.

If this thing falls, if it is not extended, all of these trick organizations fall the same way, and some of us could have some peace and we would not have to be worrying about what is happening to the producers of this country. But as long as this thing stands, you will have all of these organizations. While we sleep they work—and that is very seldom around here lately, or that we eat, either.

And they are working continually 24 hours a day to do what—to divide our markets with the nations of the world. That is what it is.

Any organization that we do not go into, there is no game because there is nothing in the pot. Therefore, any advocacy of a change in the fair and reasonable competitive theory of fixing a duty is simply an opening wedge to these organizations that I have described to you.

Did you ever hear of these organizations before?

Mr. LYNN. Yes, sir, some of them.

Senator MALONE. Did you know how they operated?

Mr. LYNN. Somewhat.

Senator MALONE. It will be of material help to you. I know you are for this country. It will help you if you will just look a little further into it. Go ahead.

Mr. LYNN. Thank you.

Expanded foreign trade will itself encourage foreign investment by improving the opportunity to repatriate investments and the income from such investments. However, authority to negotiate for better investment conditions should be made a part of this program to expand trade.

3. Authorize suspension of United States concessions when foreign countries fail to live up to the spirit of their commitments under existing trade agreements.

Page 9, subsection (6) authorizes the President to suspend United States concessions. We urge this committee to make clear in its report

that this provision is to be utilized to insure that other nations live up to the spirit of their commitments under existing reciprocal trade agreements if they are to receive concessions made by the United States.

Senator MALONE. How would the President negotiate for better investment conditions?

Mr. LYNN. If any country is enjoying a market into the United States, exporting their commodities into the United States, the President under the authority of this act could say to this country, "we have a lot of private capital that would like to come into your country, but these are the things that are keeping them out: Fear of discrimination, high taxes, et cetera. If we are going to continue to let you export your products into the United States you must agree to remove those deterrents and restrictions to investment in your country."

Senator MALONE. I am understanding you better all of the time. You have injected a new theory that you can allow the President of the United States under this bill, if it is written to suit you, to bribe these nations through giving them a part or all of the market of a certain area in this country, in this nation—to bribe them to establish an investment climate so that our people can go over and produce more stuff to be imported into this nation under the free trade.

Mr. LYNN. We are not free traders. We prefer to use the words "reciprocal benefit" rather than "bribe."

Senator MALONE. I know you do, but the fact remains that if you set this tariff 1 percent below the differential you have to reduce your wages or your investments to meet it, or go out of business. So when you say 5 or 10 or 15 percent—only 5, only 10, only 15—no man in business would ever say that.

Mr. LYNN. I'm not sure that is true.

Senator MALONE. I do not know what you do besides being the secretary of this organization, but if you have ever met a payroll you would not say that.

Mr. LYNN. I am not secretary. I am legislative director; but you see, if you have a 20 percent ad valorem duty on a \$1 item coming into the United States, for example, and you reduce that duty 5 percent that is just 1 cent on this particular item.

Senator MALONE. That is correct, if you are competing with labor that is paid one-eighth or one-tenth of the wages that you pay—that 1 percent could easily put you out of business.

Mr. LYNN. It might.

Senator MALONE. That is correct. I am glad we are making progress.

Mr. LYNN. 4. Require annual report on the compliance of signatory countries with their agreements.

On page 11, subparagraph (e), beginning on line 8, the President is directed to submit to Congress an annual report on the operations of the trade agreements program. We recommend that the specific items on which the President is to report include the status of compliance of signatory countries with their undertaking under existing trade agreements.

5. Emphasize reduction of United States duties in excess of 25 percent ad valorem.

We believe that the authority of the President to reduce United States tariffs in exchange for reciprocal concessions from other coun-

tries should be exercised with special emphasis on tariffs which are in excess of a 25 percent ad valorem equivalent. We recommend that the committee clearly state such an intent, either in the legislation or, if deemed more appropriate, by a policy statement in the Committee Report.

This recommendation is based on the belief that many rates below 25 percent have already been reduced, that rates below this level are less likely to be prohibitive, and that there is seldom a justification for prohibitive tariff rates.

Senator MALONE. In that section it reads very well. We have no knowledge whatever of the subject, but is it not a matter of fact that what you are trying to fix the duty to represent is the differential between the wage and living standards here and the taxes and the cost of doing business, if you want to be fair with the industry, and your chief competitive nation. Is that not what you are trying to do?

Mr. LYNN. No, that is not what we are trying to do.

Senator MALONE. If you want to give part of this away, would it not be included?

Mr. LYNN. The wage rates, I think, Senator, are a part, but they are not the only part.

Senator MALONE. Of course not. There may be 50 factors, just like fixing freight rates, which the Senator from Nevada has done many times as an engineer member of the Nevada Commission—there may be a hundred factors—there may be 3 or 4 principal factors, but what I am trying to say to you is that the effective wages, the differential, is a very great factor.

Mr. LYNN. It is a factor.

Senator MALONE. And the taxes you pay are a very great factor, especially when we pay the taxes of some of these nations ourselves. And the general cost of doing business here and in your chief competing nation, that under the 1930 Tariff Act is the tariff, that is the tariff they recommend. What justification is there of fixing and bringing out of the air 25 or 50 percent or 10 percent without knowing any of the factors at all?

You brought it out of the air. Explain it to us.

Mr. LYNN. This happens to be the policy of the American Farm Bureau Federation, developed through a process of some 26,000 meetings, held in the summer and fall of 1954, in which over 700,000 farmers attended those meetings. This is their recommendations, I am only trying to present them to this committee.

There are still quite a number of items that have tariffs, ad valorem duties, in excess of 50 percent.

Senator MALONE. What you would do, you would not consider a differential, say, of 15 to 19 cents an hour wages in Japan as against \$1.80 or \$2 here. You would not consider the difference in the cost at all. You would just arbitrarily say that anything above 25 percent is it.

Mr. LYNN. No, we say that the President should give emphasis to reducing these tariffs that are above that level, but still using the machinery of the Committee on Reciprocity and the Tariff Commission and all of the other agencies that are set up by the Congress to advise the President.

Senator MALONE. And entirely disregard it if he saw fit?

Mr. LYNN. That is right.

Senator MALONE. All right.

Mr. LYNN. Restrictions to expanding international trade which should be reduced under the reciprocal trade agreements program.

I would like to make it clear here that I am talking about restrictions that other countries are following, that we should negotiate under the reciprocal trade agreements program.

Particularly since the war a great many restrictions have been imposed by governments to limit international trade. These restrictions apply, of course, to industrial and agricultural products, and the authority contained in H. R. 1 is needed to remove them from both. However, we shall again limit our observations and examples to the areas with which we are most familiar—those affecting international trade in farm products.

Senator MALONE. Do you think we ought to have some kind of club over their head, so that if a nation like England or France or Belgium or the Argentine, running their own nation, thought it was advantageous to them to have some of these restrictions—why do we seek a club over their head? Are they not entitled to run their nation just as we are entitled to run our nation?

Mr. LYNN. Sure, they are, but they are not entitled to concessions that the United States is giving with regard to either import duties or quotas if they are not willing to abide by some of the same rules. All we are saying here is that we should negotiate before we continue to give them tariff concessions in our markets. They should give us at least equal concessions.

Senator MALONE. Until they have such a climate we will not negotiate with them. Why not say that?

Mr. LYNN. I do not know how you would get that.

Senator MALONE. Why do you not just say that no trade agreement will be in effect or will be automatically canceled when these restrictions are placed in any manner in a country?

Mr. LYNN. Yes, sir. We make that—almost that statement.

Senator MALONE. Would you like that?

Mr. LYNN. We have made a similar recommendation.

Senator MALONE. As an amendment?

Mr. LYNN. Yes, sir.

Senator MALONE. Read that one. It has been some time since.

Mr. LYNN. We urge the committee to make it clear, and as I stated before, we would be happy to assist in drafting legislation in its report that this provision, be included, it is to be utilized to insure that other nations live up to the spirit of their commitments under existing reciprocal trade agreements if they are to receive concessions made by the United States.

Senator MALONE. I think that is a very good suggestion. We still have in mind that you favor a change in the law where the Congress of the United States laid it down as a definite principle of reasonable competition, and to leave it to someone to make a decision to lower the duties below that differential on any product that he cares to.

Mr. LYNN. Or to raise the duty.

Senator MALONE. There has been no history of any raise. It looks good in the record.

Mr. LYNN. I think there has been increases.

Senator MALONE. What he can do at his option, he can destroy any industry in the United States that he cares to destroy and build up any other, even as your own. That is what you are for?

Mr. LYNN. No, sir, we are not for destroying any industry.

Senator MALONE. I did not say that you were for it. You are for a situation that would allow him to do it.

Mr. LYNN. We are for H. R. 1 and the authority given the President under H. R. 1.

Senator MALONE. And the authority under H. R. 1 gives him the authority without any regard to any other hearing or advice, to make any change he cares to make, is that right?

Mr. LYNN. He has the final decision, but I am sure that the President of the United States would not make a decision contrary to the recommendations that he received from the Tariff Commission and his other advisers.

Senator MALONE. There have been so many of them made that are contrary to the principles that I cannot go along with you. I would go this far with you. They would not, knowingly, do it.

Mr. LYNN. I think that is true.

Senator MALONE. How are they going to know it? You see, you have conflicting opinions. You have your testimony. You want to sell grain.

You have someone else's testimony. They want to sell tobacco.

Mr. LYNN. We want to sell tobacco, too. It is an agricultural commodity and we represent all of agriculture.

Senator MALONE. I understand that. I would like to see you sell it. I am with you.

Do not displace some other industry in doing it. That is what you want to give him the authority to do, to give it to an individual to bring about, if he makes the decision to do it. That is what you want, is it not?

Mr. LYNN. No, sir—no, sir, that is not what we want.

Senator MALONE. Because you have answered it in the affirmative several times. I will repeat the question, therefore. You are for giving this individual the authority to do it?

Mr. LYNN. Not to do what you said—not to do what you said leading up to the question, because, to repeat again, the 163 million Americans are the best customers we have in agriculture.

Senator MALONE. But the 163 million Americans do not participate in this decision, do they?

Mr. LYNN. I think they do.

Senator MALONE. Do they?

Mr. LYNN. We are reflecting—trying to reflect here the opinion of 1,609,461 of them.

Senator MALONE. Your whole testimony is to the effect that you want to continue the change of the principle laid down by the Tariff Commission of regulating foreign commerce and trade and in fixing the duties, imposts and excises that we call tariffs—put them in the hand of one man—you have testified 50 times today that it was what you want.

Mr. LYNN. That is right, under the authority of H. R. 1.

Senator MALONE. Then he can, if he so desires, or if he is mistaken, he can destroy an industry, can he not?

Mr. LYNN. He could, but I do not think he will.

Senator MALONE. They have already destroyed 3 or 4. I do not understand the foundation for your statement.

Mr. LYNN. I have great confidence in the system we have in the United States.

Senator MALONE. I have great confidence in the one we have.

Mr. LYNN. I still have great confidence in the system. I believe the 96 Senators and 435 Congressmen try to represent the people.

Senator MALONE. They have nothing to do with it after you pass this extension. They could take it back.

Mr. LYNN. They are giving the authority to the President to do this. I firmly believe, as an American, that they are reflecting—that the Congress is reflecting the will of the people in so delegating it.

Senator MALONE. How many did you say voted for that?

Mr. LYNN. There are 435 over there.

Senator MALONE. How many voted for it?

Mr. LYNN. Let's see—close to 300—285.

Senator MALONE. Voted against referring it back to the committee?

Mr. LYNN. No, the final passage of the bill was—

Senator MALONE. After they knew it was going over, anyway, that is the way it was.

Mr. LYNN. I do not believe they would have gone on record in the House if they had not been reflecting the wishes of the people.

Senator MALONE. I expect not. One hundred ninety-eight of them went on record to send it back to committee, was not that the number?

Mr. LYNN. About that—I do not recall exactly.

Senator MALONE. That is a pretty fair criterion. So you are for this change in the principle of referring it to the President of the United States and leaving the final decision to him as to what happens to any industry?

Mr. LYNN. We are for the act. We are for H. R. 1 with the amendment we have suggested.

Senator MALONE. What does H. R. 1 do with the amendment you suggested? If you insist on keeping this up I am going to stay with you until midnight. Does it give the President of the United States the authority to put any duty he wants to put on?

Mr. LYNN. After he goes through the process that we have outlined.

Senator MALONE. But he is the final arbiter?

Mr. LYNN. Yes.

Senator MALONE. You have said that 50 times, but you keep modifying it. We can save a little time if you will just refrain from that, but you can do it, if you want to.

Mr. LYNN. Senator, I have a great deal of respect for you as a Senator, and I am trying to give the best information I can here and I do not want to appear to be saying "Yes" to some of the statements that you are making.

Senator MALONE. Did you say "Yes" that one man can do the job after he has listened—after he has gone through what is set up in the bill—is the one man the final arbiter?

Mr. LYNN. That is right.

Senator MALONE. All I want you to say is that, and that keeps the record straight.

Mr. LYNN. O. K.

Senator MALONE. There is one other thing that I think I ought to remind you of. We all want investments in this country.

What incentive for an investment in this country do you think there is when there is no principle laid down for protection—investments in an industry where protection is necessary due to the difference in wages and cost of production—when there is no principle laid down upon which an agent of Congress must determine that differential, but someone is given the authority to arbitrarily change it, as it has been for 21 years—what incentive do you think there is for an investment in one of those industries that are delicately balanced?

Mr. LYNN. There must have been some incentive, Senator, because they have certainly invested at the greatest rate of any time in our history in recent years.

Senator MALONE. That is correct.

Mr. LYNN. In the last 20 or 22 years.

Senator MALONE. In that investment you include the short amortization period of about \$40 billion—it may be 50 now—guaranteed unit prices, investments in industries that are producing war materials that the taxpayers pay for—they do not have to sell it any place except to get the checks from the taxpayers. All that is included?

Mr. LYNN. There are a lot of things included in this, but I think we have got a pretty sound economy. I'm for it.

Senator MALONE. I am glad you think so, because if you stop building this obsolete war equipment at the present time, putting out the money of the taxpayers to foreign nations to buy your products, and something happened, that we secured the peace that we pray for, I do not think you would last very long—I think you are riding for the greatest fall you have ever had in the world.

Mr. LYNN. I certainly hope not, we will do our part to avoid it.

Senator MALONE. I hope not, but I hope we get our own feet on the ground and are not treading water all of the time and having one industry pitted against another.

I would like to see people come in here and talk about the good of all of the industries, not trading one for another.

Mr. LYNN. Import licensing and quotas.

Heading the list of restrictions to international trade is import licensing and quotas. Three-fourths of agricultural exports go to the so-called soft-currency nations who use import licensing and impose import quotas. There are a variety of reasons for the use of these practices. They are imposed (*a*) to protect domestic producers, (*b*) to conserve certain foreign currencies, particularly dollars, (*c*) to promote markets for home products, (*d*) to balance trade with important marketing areas, and (*e*) to attain predetermined desirable levels of foreign exchange reserves. American dollars are one of the hardest and therefore one of the scarcest currencies in international exchange. The dollar shortage, including a need to establish adequate dollar reserves, is the principal basis given by countries for imposing import quotas.

Senator MALONE. I understand you would not be for them invoking any quotas to protect the home market in your philosophy—you would not think of that?

Mr. LYNN. We think that these are some of the considerations that they are taking into account now that we believe should be negotiated out under this reciprocal-trade agreement.

Senator MALONE. Then you think that our quotas on agriculture should be negotiated out at the same time?

Mr. LYNN. After you go through the process that is set up as provided for in this act with regard to the Tariff Commission and the peril point and all of the other procedures.

Senator MALONE. Let us get at this again. I just want to keep the record straight. One man makes the decision after the evidence is heard?

Mr. LYNN. That is right.

Senator MALONE. Without any regard or review by anybody, is that right?

Mr. LYNN. Not without regard by anybody; he does have the final decision.

Senator MALONE. If that is true, how does it improve on a principle laid down by Congress on a certain principle of fair and reasonable competition, so that an investor would know that the only way he would be put out of business would be if he could not produce within a reasonable price, or he could not compete with domestic producers?

Mr. LYNN. I do not know of any rule of thumb as to how he would know, but undoubtedly our businessmen do know, because they are investing at unprecedented levels.

Senator MALONE. There have been in my office, several people in the last few days who are going over to GSA getting loans—they are guaranteed unit prices—that is what they are doing. Do you call that sound business?

Mr. LYNN. Well, I do not know the details about this.

Senator MALONE. Of course it is not.

Mr. LYNN. It depends a lot on the situation.

Senator MALONE. You would not need it?

Mr. LYNN. And the risk involved.

Senator MALONE. If you had this basis of protection on the principle. But now since you have no protection, businessmen know that they have to have the Government for a partner, or they are certain to lose their money.

Mr. LYNN (continuing to read). Therefore, the imposition of import quotas by foreign countries has been the principal limitation on the exports of United States products.

Senator MALONE. You understand what a dollar shortage is?

Mr. LYNN. Yes, sir. I personally know about a dollar shortage.

Senator MALONE. You personally know about one phase of it. Now do you understand the dollar shortage comes by placing on their money a price in dollars above the market price in most instances?

Mr. LYNN. No, sir, I do not understand it like that.

Senator MALONE. How do you understand it?

Mr. LYNN. We have most of the dollars and the gold here in the United States. Some of the friendly nations and some not-so-friendly nations are improving their dollar position and their gold position at the present time.

Senator MALONE. Now that they can buy this gold and have been buying it with Marshall plan dollars.

Mr. LYNN. I did not know that.

Senator MALONE. You cannot do that?

Mr. LYNN. No.

Senator MALONE. They can and have done it. And we do not have the gold down here that I have some faint recollection we had at one time. We do not have it now.

Mr. LYNN. If they are going to buy our products, we must trade with them.

Senator MALONE. What you are talking about is forcing trade beyond the earning power. No nation ever had a dollar shortage if it stayed within its own earning power annually, or they let their money stay at the market price, because anybody, including the senior Senator from Nevada would as soon have foreign currency in his pocket representing a dollar that he could get from the bank in the morning, but you cannot get it.

Mr. LYNN. That is right.

Senator MALONE. Therefore, they have a very superficial dollar shortage, in addition to the kind you and I have when we just spend more than we currently earn. And we are encouraging them to do that by the very thing you are advocating.

Mr. LYNN. They have got to increase their productive capacity in these countries and to improve their standards of living if they are going to be able to do so.

Senator MALONE. You favor this policy that we have followed in giving them the money outright to build factories that can produce more than they can consume themselves?

Mr. LYNN. No, sir.

Senator MALONE. And then force us to buy it through blackmail, because if they do not sell it to us they will to our potential enemies.

Mr. LYNN. We have never and we do not now advocate such a policy.

2. Import duties and taxes:

Import duties are the traditional restrictions to trade. They are imposed for the purpose of protecting certain domestic producers from competition from abroad. Many duties in effect today are of such an amount as to increase the price in consuming countries to a point that either restricts or destroys the market. For example, one country has an import tax on dried skim milk which has the effect of doubling the price to the consumers. It makes dried skim milk so high that we have little opportunity to expand a market in that country, even though the need is great.

Senator MALONE. That would not be our country?

Mr. LYNN. No, sir; this is all directed to other countries.

Senator MALONE. What country is that?

Mr. LYNN. India is the one we have in mind.

Senator MALONE. Do you understand that India, being a sovereign country, could, if they thought that was the best for their country? What objection would you have to that?

Mr. LYNN. We are giving India concession under the trade-agreements program.

Senator MALONE. Why?

Mr. LYNN. That is the reason we ask for these amendments to the act.

Senator MALONE. Why do you do it, anyway? In other words, we have lowered the duty of products that we get from India. And

regardless of what they do on the other products, we put the fellow out of business here or restrict his business in that product. Is that true or not?

Mr. LYNN. I do not think that is true, sir.

Senator MALONE. It may not be entirely true, but does it restrict him?

Mr. LYNN. It may in some cases, but what we are saying here—

Senator MALONE. What cases would you suggest that it would not be true in?

Mr. LYNN. I have already outlined to you the potash situation that we referred to.

Senator MALONE. You said that we are going to be out in a certain time, and I read you a very informative letter of a man who said in 1944 that we were going to be out of petroleum—going to be out of all of these things—and it developed later that he was not for the best interests of the United States, but he had many powers in this country.

And our President was certainly loyal to this country, but he did not understand that this man had an ulterior motive. You fall into that trap by quoting these estimates of people that you do not know just where they stand.

The people who are really good people are much more dangerous in this country when they mouth these phrases than is the man that invents them.

If a British banker had said that reciprocal trade was it, had come over here and advocated it, he would not have gotten very far, but when he could get the State Department to mouth it, and all of our disciples, he got quite a ways.

Mr. LYNN. 3. Customs procedures:

Customs procedures are needed to account for imports and to evaluate them as a basis for imposing duties. Customs procedures designed to facilitate this work are essential. Unfortunately, these procedures are often rigged so as to provide additional hindrances to imports.

Senator MALONE. Do you understand one of the things they tried to get through in the simplification of customs was to change the valuation for tariff purposes of the American value to the foreign value?

Mr. LYNN. Yes, sir.

Senator MALONE. You do not understand that that ought to be done; do you?

Mr. LYNN. No, sir; we did not support that particular provision on that bill.

Senator MALONE. You could pick up so many fishhooks in that bill when it came over here, it would make you sick. It was rigged to promote imports in opposition to producers in this country. And several of the fishhooks are still in it, for your information.

Mr. LYNN. Yes; we recognize that.

4. Health and sanitary restrictions:

It is only logical that a nation control imports to make sure that they do not bring in injurious products or introduce plant or animal diseases. However, these provisions are also used by protectionists groups to add unnecessary impediments to imports over and above the duties and taxes.

5. Foreign-exchange manipulations:

Many countries resort to the manipulation of the rates of exchange between their own currency and others in order to profit on imports, to increase the competitive advantage of their exports or as a device for protecting domestic producers, depending upon the administrative policies of the government.

6. Government and quasi-government export and import monopolies:

In many countries, governments operate import and export monopolies. In the case of export monopolies they determine export prices, the rates of exchange on various currencies, and other practices which promote their national interests. We are particularly conscious of this in American agriculture. Practically all major competing exporting countries of all major farm products entering foreign markets operate such export monopolies.

The United States is hard pressed to find ways of marketing farm products in foreign markets in competition with these monopoly practices of other nations. The problem is further complicated by the fact that so long as certain United States farm products are priced above market levels, the CCC becomes the sole buyer for these products for export. In these cases the United States indulges in monopolistic practices similar to those of other countries. On the other hand, many American products are priced competitively in world markets. Yet the exporters of these products are placed at a disadvantage by the operations of competing monopoly exporters and further by monopoly importers.

Senator MALONE. I think you can say most of them have a prohibitive tariff or duty on most products that they themselves produce.

Mr. LYNN. There is too much of that all over the world.

Senator MALONE. There is too much of it, but they are for their own country. Maybe they have a point. In other words, all of your testimony goes to show that what we are trying to do is to get their market. And maybe being for their own country, they want their own people to work.

So we solve that question by picking up the check with our taxpayers' money here between the world price and the guaranteed unit price here.

I think that Congress has shown it is willing to do that. But when you advocate something here to in some measure relieve your own product which would destroy some other industry, then that is where I think you are wrong in policy.

Mr. LYNN. 7. Private capital discouraged:

The flow of private capital is an essential prerequisite to expanding international trade and to improve the United States balance of payments. Many countries impose restrictions and handicaps on foreign investment which discourages its flow.

The seven points above constitute the major restrictions to expanding international trade among nations. These restrictions which limit the exports of United States industrial and farm products. They result in contraction of the most efficient industries, they result in enforced contraction of the most efficient agricultural production.

Therefore, one part of the foreign-trade program supported by the American Farm Bureau Federation is to authorize the President of the United States to negotiate with foreign governments to reduce or

eliminate these restrictions imposed against United States products. Along with this authority the President must be given some trading stock in the form of United States trade concessions.

Senator MALONE. You would be willing to leave it to the judgment of the President whether section 22 would be invoked or not?

Mr. LYNN. He has that authority and we are for section 22.

Senator MALONE. Would you be willing to take it out entirely if in his judgment he got enough concessions from the others, that is eliminate it from the bill and leave it to his judgment to do this thing?

Mr. LYNN. No; Farm Bureau is for the continuation of section 22.

Senator MALONE. You are willing to leave it to the judgment on every other industry. Why not leave it to the judgment on your own industry?

Mr. LYNN. It is still left to the judgment of the President under section 22.

Senator MALONE. If you take it out and I am merely asking you a question—

Mr. LYNN. We would come under it.

Senator MALONE. Take the paragraph out and be on an equal basis with all other industries in the United States.

Mr. LYNN. I think if we can ever get our surplus agricultural commodities down to a manageable level, certainly, we would want to take a new look at section 22.

Senator MALONE. So you would meet the consumption of this Nation and not have to sell any surplus below it, that is, at the world level, and below what the guaranteed price is, is that what you are talking about?

Mr. LYNN. As I stated before we are not for the price-support program that has been in effect in this country since 1948. We are for the Agricultural Act of 1949, as amended, by the Agricultural Act of 1954, which puts price supports, Government price supports, on a flexible basis.

Senator MALONE. Flexibility is still above the world market price, and if you sold any abroad the taxpayers have to pick up the check, will they not?

Mr. LYNN. No, sir; we would hope that would not be true. I do not think it is.

Senator MALONE. But you would still have to import or export, and if you had a surplus it would cost you more than you could get on the world market price—you would have to sell it that way.

Mr. LYNN. We would have to do that or use the provisions of Public Law 480. Take cotton for example. With the 90-percent price support cotton competitively priced throughout the world. We can meet competition wherever it is at our price of cotton.

Senator MALONE. Why do you need the support price, if you can meet the competition?

Mr. LYNN. Cotton is a very storable commodity. It is a very basic commodity to our whole economy. The cotton production has not been mechanized to the extent of some of the other agricultural commodities like wheat, for example. You still have to pick and chop cotton. There is a lot of handwork.

Senator MALONE. You do have cottonpickers, that is, mechanical ones, do you not?

Mr. LYNN. Yes; they pick only a small part of the crop.

Senator MALONE. I have seen them around. Go ahead and finish your statement.

Mr. LYNN. We believe that enactment of H. R. 1 would give the President the authority to negotiate agreements which will result in expanding mutually profitable trade and in increasing exports of industrial and farm products and still give reasonable protection to domestic industrial and agricultural producers from disruptive rates of increased imports.

Senator MALONE. What do you base that on?

Mr. LYNN. We base it on the record that we have had up to now. With the enactment of H. R. 1, which is the most restrictive Trade Agreements Act that we have had since 1934, with the recommended changes, the five recommended changes that we have suggested to H. R. 1, we believe that that statement is true.

Senator MALONE. Of course, the record says that many industries are out of business almost entirely, and many others are restricted and others are scared almost to death. That is the record to date. I hope that we start taking some testimony pretty soon in a court suit—I think they will take depositions—and if it was not apparent in the testimony before the Ways and Means Committee, it certainly will be there, and I think it will be here before we are through.

One final question still remains after your last paragraph.

Mentioning the restrictions again there is no restriction in this act in any way that restricts the ultimate final decision in the hands of one man, is there?

Mr. LYNN. That is right.

Senator MALONE. That is all.

Senator GEORGE (presiding). The next witness is Mr. John A. Baker.

Senator MALONE. Mr. Chairman, we have been here—I have been here personally since 10:30—these witnesses' testimony is very important. I wonder if we could recess until tomorrow at 10 or 9:30 or whatever time the committee would like to adjourn to?

Senator GEORGE. The chairman said that he did not want to have a meeting tomorrow, Senator Malone.

Senator MALONE. Monday is coming.

Senator GEORGE. He has a full schedule for Monday, too. Mr. Baker has a short statement, apparently.

Senator MALONE. They are all relatively short, but they are terrific statements.

Senator GEORGE. Let us see how we can get along with this one, Senator.

Mr. Baker, you may proceed.

STATEMENT OF JOHN A. BAKER, OF NATIONAL FARMERS UNION, ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE SERVICE AND RESEARCH

Mr. BAKER. Mr. Chairman and members of the committee, for the record, I am John A. Baker, of National Farmers Union, assistant to the president for legislative service and research.

We appreciate the courtesy of the committee to permit us at this time to present these views supplemental to those we presented to the House Committee on Ways and Means.

The deep interest of farmers in foreign policy is grounded upon a heartfelt longing for permanent peace with justice. Farmers' specific additional interest in foreign trade policies derives from their conviction that national strength, welfare, and prosperity depend upon a solvent agriculture.

From an economic viewpoint, farmers currently face considerations of foreign trade policy from an agonizing experience of falling farm prices and farm incomes in an official environment of sliding-scale laws and sliding-scale philosophy. Farmers want the United States to follow intelligent, enlightened, and humanitarian foreign economic policies. But they do not want to see the total costs of such policies loaded upon the already sore backs of farmers, coal miners, or any other small group of the entire population.

The Eisenhower sliding-scale price-support law promises to reduce the monthly take-home pay of the average farm family from about \$200 per month in 1952 to little more than \$100 per month. Already in 1954, farm family take-home pay has been pushed halfway down the sliding scale to \$150 per month as a result of the progressive reduction of price supports for farm commodities.

In this situation, we are convinced that considerations of national interest strongly suggest that the added economic burdens of increased imports should not be placed on the shoulders of dairy farmers, who are already at the bottom of their sliding scale, nor upon wheat farmers whose price protection has already been dropped to 82½ percent of parity in 1955 and to 75 percent in 1956. Nor upon rye, oats, and barley producers whose domestic price protection has been dropped to 70 percent of parity.

The 1954-55 National Farmers Union program adopted by delegates to national convention in Denver in March 1954 states our position clearly in these terms:

Respecting imports of farm commodities that compete with domestic farm production, we favor adoption of policies that will give United States consumers an adequate supply at a fair price, preferably in connection with negotiated international commodity agreements, with provision for protecting 100 percent parity returns to family farmers. If this can be done in no better way, we shall support an automatic flexible tariff that will eliminate imports at prices less than 100 percent of parity.

This is already done under existing laws in the case of wool and sugar. The same principle should be expanded to other farm commodities.

We are convinced that similar just and intelligent consideration should be given under the reciprocal trade agreements program to other businesses and laboring people as outlined above for farmers.

Therefore, Mr. Chairman, we urge the enactment of the renewal and extension of Reciprocal Trade Agreements Act with the following amendment:

The extension bill as adopted by the House of Representatives should be amended by adding at the end therefore a new title as follows:

Domestic trade readjustments provisions:

Notwithstanding any other provision of law, the President of the United States is authorized and directed, whenever at any time a reduction in import duties negotiated under this act will result in decreased income and employment in a domestic industry or result in reducing prices received by farmers at any time

when they are less than 100 percent of parity, to direct the Secretary of Agriculture to initiate and put into operation a domestic farm price support program for the affected commodity through compensatory payments at a level of 100 percent of parity and direct the Secretaries of Labor and Commerce to establish a domestic industrial trade readjustment program that will provide employment readjustment compensation, vocational retraining and migration aids to laborers unemployed thereby and that will make available technical assistance, capital retirement grants, and readjustment loans to industrial and business concerns whose operations are rendered unprofitable by reason of a tariff reduction negotiated under this act.

We are convinced that the United States is a big, strong, civilized nation, so strong, so civilized, and so conscious of its strength and responsibility that it must and will adopt a program that will allow other nations to sell us more of their goods on a mutually advantageous basis and do it in such a way that it will not result in uncompensated damage to groups of our own people.

Neither of the proposals included in the recommended amendment are new. Nor is the Farmers Union the only organization that supports their adoption. The Trade Agreements Extension Act was adopted by the House without these added features. We feel these provisions should be added to the bill in your committee and be adopted by the Senate, so amended.

Thank you for your courtesy and your consideration of our recommendations on this important matter.

I shall be most happy to attempt to answer any questions that members of the committee may have.

Senator GEORGE. Are there any questions?

Senator MALONE. You are Mr. Baker?

Mr. BAKER. Yes, sir.

Senator MALONE. Assistant to the president of the National Farmers Union?

Mr. BAKER. Yes, sir.

Senator MALONE. Where is your headquarters?

Mr. BAKER. Denver, Colo.

Senator MALONE. As I understand your testimony, you are not for any principle adopted here that would allow anyone in any way to injure another industry in this country?

Mr. BAKER. That is correct. That would not be compensated for by a program that goes right along with it. We do not believe in the principle, Senator Malone, that a coal miner or the owners of coal mines, a lead miner or the owners of a lead mine, or the wheat farmers, or the barley or oats farmers should carry on their own shoulders the entire cost of a foreign policy.

Senator MALONE. I think you are entirely right. And your attitude is very fair.

When you mention flexible tariff policy that would be 100 percent parity. Are you not getting pretty close to the tariff law of 1930 that provides a tariff that would be the difference between your chief competitive country and your own here?

Mr. BAKER. The main difference is based on what is a fair return to our domestic producer.

Senator MALONE. I suppose it is.

Mr. BAKER. Parity concept has been considered a fair price in the United States.

Senator MALONE. What you want then is the insertion here of a minimum price, and then the duty fixed between that price and the chief competitive nation cost?

Mr. BAKER. That is our second preference.

Our first preference of what we think the national policy and program should be is one that operates by means of compensatory payments.

Senator MALONE. What is that—how does that operate?

Mr. BAKER. Let us take for example the case of dairy products. Instead of establishing the support level of the domestic United States for milk and butterfat at 100 percent of parity and carry that out by means of Government purchases, keeping the market price at the 100 percent level, we would say, let the entire supply of those dairy products go into the market, let the market set whatever price was necessary to clear the market; if that resulting market price was lower than 100 percent of parity support price, it would be made up with the production payment directly to the producer.

Senator MALONE. Where would the money come from, just from the general taxpayer?

Mr. BAKER. It would come from the United States Treasury, yes, sir.

Senator MALONE. That sounds very interesting. I have never heard it explained just that way. Let us get back to the tariff.

Mr. BAKER. That is our first choice.

Our second choice, if that type of program cannot be established and we cannot in any other way remove the burdens from the shoulders of individual producers or small groups of people within the total population, then the only alternative we have is to support an automatically fluctuating tariff that will maintain domestic prices at 100 percent of parity.

Senator MALONE. I think the only difference, probably the main difference that you would ask for in the 1930 act is that you would just assume our costs here, whatever the current price would be, then the difference between that parity price and the production cost in the chief competitive nation would automatically be kept.

Mr. BAKER. The world price. It might or might not be their cost of production. This would make unnecessary all of the administrative and research work in foreign countries.

Senator MALONE. It would seem to me that presents a field that it would pay to explore, because you would not be asking then for any subsidy, trying to meet the world price when you exported anything—you would just not let it be imported under that price?

Mr. BAKER. Let me reemphasize that as our second choice.

We would prefer the other method of doing it, because we think it fits better with what we think of as being an intelligent foreign policy.

Senator MALONE. You are not talking about H. R. 1 as your first choice, are you?

Mr. BAKER. Not H. R. 1 as it stands, no, sir. H. R. 1 with this amendment that I have suggested.

Senator MALONE. Explain that amendment to me again. I think I must have missed something in it.

Mr. BAKER (reading):

Notwithstanding any other provision of law, the President of the United States is authorized and directed, whenever at any time a reduction in import duties

negotiated under this act will result in decreased income and employment in a domestic industry or result in reducing prices received by farmers at any time when they are less than 100 percent of parity, to direct the Secretary of Agriculture to initiate and put into operation a domestic farm price support program for the affected commodity through compensatory payments at a level of 100 percent of parity and direct the Secretaries of Labor and Commerce to establish a domestic industrial trade readjustment program that will provide employment readjustment compensation, vocational retraining and migration aids to laborers unemployed thereby and that will make available technical assistance, capital retirement grants and readjustment loans to industrial and business concerns whose operations are rendered unprofitable by reason of a tariff reduction negotiated under this act.

Senator MALONE. That would apply to any industry?

Mr. BAKER. Yes, sir.

Senator MALONE. To all industries?

Mr. BAKER. Yes, sir.

Senator MALONE. I think that is about the fairest suggestion that has been made today, because you are not trying to favor one industry over another.

Mr. BAKER. No, sir.

Senator MALONE. It would apply equally to all industries?

Mr. BAKER. Yes.

Senator MALONE. Why do you support H. R. 1? Let us come down to that. That is the thing that is before us.

What do you think you would likely get out of that that you would not get under a fair and reasonable principle of trade established in the 1930 Tariff Act?

Mr. BAKER. Our feeling, Senator Malone, is that among the free nations, and the free nations as a community of nations, we need to develop as integrated and coordinated and as a high level of economic strength as it is possible by all of the ways and means we can think of to develop.

We do not think that we in the United States can sit here and do it all ourselves. We have got to have all of these things working together in ways so that each one of them can make their major contribution to the combined effort.

The major reason that it might be possible through the Reciprocal Trade Agreements approach is that in some countries, because of strategic locations, because of the particular quality of resources, or for some other reason, they might be able to produce a certain thing with less comparative cost than we could, whereas there are some other things that we could possibly produce with less comparative cost, and as a combined effort we would both get more as a total and as our share.

Senator MALONE. You have already covered agriculture. You do not want that principle to effect agriculture. And if you have it effect other products it seems that you are getting into the category of the last witness, that you have some idea that in this trading, lowering the duties arbitrarily by a system under H. R. 1, that one industry here might be reduced, importing more of that product, and resulting in a better deal for agriculture. I am sure you do not want to be put in that position.

Mr. BAKER. No, sir, that is not our position. Our position in this regard is that farming is in the same relationship to the foreign policy. And farmers are interested in it for exactly the same reason that all other citizens of the United States are.

Senator MALONE. It might be interesting to you to know some of the reactions that go on throughout the world. I have been in practically all of the nations that you can go in on your own, except the Iron Curtain countries and Russia. I have before me this morning's Wall Street Journal entitled, "Foreign Furor." And it reads in its headline: "United States Farm Props Anger Allied Nations and Impede United States Plans For Freer Trade."

That is from Geneva. I will not read it all, but I will ask that it be put in the record because I think it will be very interesting to you. However, one paragraph says, for example:

For example, the United States has been insisting that nations should end quantitative restrictions on imports—specifically the widespread discriminations against goods bought with dollars.

A good part of the testimony of the last witness was devoted to that subject.

Time and again the Americans have been hooted down because the United States itself has slapped import quotas on many a farm product to protect its high-priced domestic market. And it has denounced a waiver in the revised GATT pact to permit this to continue.

In other words, they are just as aware of their own situation as you are aware of your situation.

Mr. BAKER. Surely. May I interrupt there to say that apparently I did not make myself as clear as I might on what our position as an organization is. We are of the opinion that if price supports for these commodities are carried out by means of production payments, you do not run into this problem which you are describing.

The problem you are describing is a very real problem and we need to get our operations to where it can be done without those legitimate gripes being brought up.

Senator MALONE. In other words, we are to abide by the Golden Rule?

Mr. BAKER. Our wheat program, our corn program, and the rest of the programs if operated with production payments would allow the domestic market price to find whatever level it takes to clear with an adequate safety reserve taken care of. It would allow that domestic market price to fall to whatever level it takes to clear the market. Such market price would not then be an artificial attraction.

Senator MALONE. That would be the world price?

Mr. BAKER. That is correct. It would not be an artificial attraction to oats and rye from Canada.

Senator MALONE. The taxpayers would only then make up the difference on the domestic consumption, or am I right on that?

Mr. BAKER. On the domestic consumption or production, rather.

Senator MALONE. The domestic production?

Mr. BAKER. Not the consumption in the case of imports.

Senator MALONE. They would make up the difference on all of the production, but you would let the price reach its level?

Mr. BAKER. That is correct.

Senator MALONE. And the taxpayers would put up the money to begin with and would buy at the world price?

Mr. BAKER. As a matter of fact, Senator Malone, in the case of exports of cotton, wheat, rice, the Commodity Credit Corporation already has the authority to do what you are suggesting, or the point you are making.

Senator MALONE. Yes.

Mr. BAKER. The Charter Act itself gives that authority to the Secretary of Agriculture. So far he is using it only for some very minor commodities. So far he has refused to use it with respect to some.

Senator MALONE. Another paragraph headed: "A Laughing Matter."

I would not think it was any laughing matter the way it affects us here, but this Wall Street Journal article states that:

For another instance, the United States representatives have been pressing here for tighter rules concerning the disruptive effect of what is called state trading-governmental buying and selling of the raw materials and products of industry. But they have been laughed at by other delegates, who cite sales of butter and grain from the vast surplus stocks of the United States Commodity Credit Corporation.

In other words, we are insisting they do something that we ourselves do not do, or that they do not do what we do.

What do you think of that?

Mr. BAKER. Again, if we were operating our domestic price support programs by means of production payments, rather than by means of market diversion loans and purchases, our market price would be the market price of the international trade.

Senator MALONE. It probably would cost us just as much.

Mr. BAKER. We would not then be putting wheat and butter and these other things into Government warehouses. We would not be running them through Government ownership. This particular problem would no longer then be a problem.

Senator MALONE. These same people, these taxpayers of the United States that put up the difference between the parity price and the world price, is what you are really talking about?

Mr. BAKER. That is correct; yes, sir.

Senator MALONE. They could buy these products at the world price to eat or to feed to livestock?

Mr. BAKER. That is correct.

Senator MALONE. Or whatever it is?

Mr. BAKER. Yes, sir.

Senator MALONE. It might even be that you would buy this corn and wheat and barley to feed to livestock?

Mr. BAKER. There would certainly be more of it used; yes, sir.

Senator MALONE. I think your plan deserves some attention.

Reading further from this article from Geneva:

The GATT conference also tackled the perversion of normal trade through export subsidies. The United States delegates were sympathetic as far as rules against industrial subsidies were concerned, but they were forced to say that under congressional instructions their country will keep right on subsidizing exports of the farm surpluses which have been encouraged by price props—though it will try to minimize the disruption of world markets in the process.

The American position, an inevitable consequence of the domestic farm program, has done more than infuriate the diplomats gathered here. It has aroused the farmers and farm blocs of efficiently producing agricultural nations, and it has given the United States a "bad press" on a global scale.

The president of Australia's National Farmers Union—

is that the same organization?

Mr. BAKER. The same name, yes, sir, but we are not affiliated.

Senator MALONE. No connection?

Mr. BAKER. No organic affiliation.

Senator MALONE. You are friendly?

Mr. BAKER. We are both members of the International Federation of Agricultural Producers.

Senator MALONE. Then you do have some exchange of problems?

Mr. BAKER. Exchange of conversations about problems; yes, sir. Some mutual problems.

Senator MALONE. (Reading):

The president of Australia's National Farmers Union took to the local newspapers the other day to say: "By her irresponsible disposal of agricultural surpluses the United States is flagrantly breaking the spirit of GATT." In Wellington, New Zealand, William Marshall, chairman of his nation's Dairy Products Marketing Commission, is calling United States Government attempts to sell butter abroad at cut prices "pure and unadulterated dumping of surpluses."

European newspapers headlined the recent visit to Washington of Canadian Cabinet members Howe, Pearson, and Harris, emphasizing that they spoke not only for Canada but for Europeans when they asked United States Secretaries Dulles, Benson, and Humphrey for relaxed restrictions on farm imports and fewer subsidies on farm exports.

Apparently, they think that these exports are disorganizing foreign markets, their own markets.

The influential Manchester Guardian pictures America as asking GATT for "legal permission to live in a state of sin." The London Economist, internationally read and usually pro-American, depicts the United States insistence on quotas for farm imports as "sadly retrogressive." Other publications have played up the official protests registered by Denmark, the Netherlands, Australia, and New Zealand against United States efforts to sell surplus butter abroad and have featured the contention of Burma and Siam that the United States is cutting into those nations' export market for rice.

We are getting to be quite a rice exporter on the same basis, picking up the difference between domestic support price and the world price?

Mr. BAKER. No, sir, not in the case of rice.

Senator MALONE. Not in the case of rice?

Mr. BAKER. Not to amount to anything at all, hardly.

Senator MALONE. How would they be cutting into it, then?

Mr. BAKER. I think they are there fearing what may happen next year in the case of rice.

Senator MALONE. And the article continues:

It is possible the sentiment is running higher than the facts justify. American officials emphasize that every subsidized sale abroad of United States commodities is managed as carefully as possible to avoid hurting the competing producers of friendly nations.

Certainly many Congressmen would like to see the United States go farther in the direction of spilling its surpluses overseas. Recently the House Appropriations Committee criticized the CCC for failure "to discharge its responsibilities to sell commodities competitively in world markets." It indicated specifically that it wanted more sales, even at heavy loss to the taxpayer, of surplus cotton, cheese, corn, rice, naval stores, tobacco and wool.

Why did they include rice, if that is no loss to the taxpayer?

Mr. BAKER. So far as I know there is very little rice. I can check my figures if you are interested. As of now, my impression is that there has been very little since World War II—very little rice engaged in. As a matter of fact, no cotton has been sold.

Senator MALONE. This year?

Mr. BAKER. Not since World War II on an export subsidy basis. The domestic cotton program, which is a market diversion loan pro-

gram—our United States cotton program is holding an umbrella over the cotton price for the whole world, the way it is operated now.

Senator MALONE. We buy our surplus from other nations?

Mr. BAKER. We do not sell to the other nations until the entire world price has come up to our domestic support price.

Senator MALONE. That has been proposed where we enlarge and take in other nations under the umbrella on our raw materials.

Mr. BAKER. It seems to me that in a case such as cotton, if we are going to have a stabilized price for all of the nations in the free world it ought to be on the basis of an international commodity agreement where the producers in Brazil and the producers in India and the producers in Egypt share with the producers in the United States the cost of operating that.

The way it happens right now, if you will pardon my extending my remarks a little bit—the way it happens now with the sliding-scale-support level and the sliding-support-price program for cotton, the only way that United States cotton producers can keep it at 90 percent of parity is by taking acreage cuts and reducing their production.

Brazil increases. Every acre that Brazil increases their production means an acre has to come off of an Arkansas cotton farm if we are going to maintain our support level, or from Oklahoma or Mississippi, as I told Senator Eastland yesterday.

Senator MALONE. In any case, whether we go into the world support price, it costs the taxpayer more?

Mr. BAKER. No, sir, it has not cost for these basic commodities. The first 20 years of their operation they made a \$20 million profit. It is only since this new mishandling took over in 1953, that they have run the losses up to \$500 million or something pretty close to that in the last 2 years.

Senator MALONE. And the statement reads further :

To maintain such price-fixing programs it may become necessary for the United States to apply trade restrictions of various kinds including import quotas, to keep down foreign importations. To move high-priced surpluses into export markets it may seem necessary to use export subsidies or dumping procedures that, if practiced with respect to imports into this country, would involve the application of our antidumping and counterbailing duty laws.

You understand what they are talking about there?

Mr. BAKER. You went just a little bit fast. Some of those words have more than three syllables and that gets a little bit fast for me. What was that word "counter" something?

Senator MALONE. Counterbailing duty laws.

Mr. BAKER. I may be for or against that. I am not sure. I do not know what that means.

Senator MALONE. I think you could easily understand the words and not understand what they are doing.

Mr. BAKER. I do not even know what that word means.

Senator MALONE. I will ask permission of the chairman to include this article of March 4, 1955 of the Wall Street Journal entitled, "Foreign Furor—United States Farm Props Anger Allied Nations and Impede United States Plans for Freer Trade," as a part of the record.

Senator BENNETT (presiding). Just for the information of the Chair, did the Senator read all of that, or is there some of it that he did not read?

Senator MALONE. I read about one-third of it.

Senator BENNETT. It will be accepted for the record.

(The article dated March 4, 1955, is as follows:)

[From the Wall Street Journal, Friday, March 4, 1955]

FOREIGN FUROR—UNITED STATES FARM PROPS ANGER ALLIED NATIONS AND IMPEDE
UNITED STATES PLANS FOR FREER TRADE

(By Henry Gemmill and Mitchell Gordon)

GENEVA.—It is becoming increasingly clear that a domestic policy of the United States Government—its propping of farm prices—is losing America friends abroad and in large degree defeating its foreign economic policy.

The situation has been painfully evident here in Geneva, where weary delegates are rounding out 4 months of talks on a revision of the 34-nation General Agreement on Tariffs and Trade. The United States representatives came to these sessions eager for a stronger agreement attuned to today's realities. Assistant Secretary of State Samuel Waugh defined the ideal: "A code of principles and rules which will guide the conduct of trade among all the countries of the free world and assure that such trade is carried on with the maximum possible freedom."

Today the American delegates concede that under the revised GATT pact the barriers to trade will continue, on balance, about as now. And one major reason for the American lack of success at Geneva is that every time our delegates have pressed for a specific objective the delegates from other lands have thrown in their faces the protectionist practices which have grown out of the United States farm program.

For example, the United States has been insisting that nations should end quantitative restrictions on imports—specifically the widespread discriminations against goods bought with dollars. Time and again the Americans have been hooted down because the United States itself has slapped import quotas on many a farm product to protect its high-priced domestic market. And it has demanded a waiver in the revised GATT pact to permit this to continue.

A LAUGHING MATTER

For another instance, the United States representatives have been pressing here for tighter rules concerning the disruptive effect of what is called state trading—governmental buying and selling of the raw materials and products of industry. But they have been laughed at by other delegates, who cite sales of butter and grain from the vast surplus stocks of the United States Commodity Credit Corporation.

The GATT conference also tackled the perversion of normal trade through export subsidies. The United States delegates were sympathetic as far as rules against industrial subsidies were concerned, but they were forced to say that under congressional instructions their country will keep right on subsidizing exports of the farm surpluses which have been encouraged by price props—though it will try to minimize the disruption of world markets in the process.

The American position, an inevitable consequence of the domestic farm program, has done more than infuriate the diplomats gathered here. It has aroused the farmers and farm blocs of efficiently producing agricultural nations, and it has given the United States a "bad press" on a global scale.

The president of Australia's National Farmers Union took to the local newspapers the other day to say: "By her irresponsible disposal of agricultural surpluses the United States is flagrantly breaking the spirit of GATT." In Wellington, New Zealand, William Marshall, chairman of his nation's Dairy Products Marketing Commission, is calling United States Government attempts to sell butter abroad at cut prices "pure and unadulterated dumping of surpluses."

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Dulles, Benson, and Humphrey for relaxed restrictions on farm imports and fewer subsidies on farm exports.

The influential Manchester Guardian pictures America as asking GATT for "legal permission to live in a state of sin." The London Economist, internationally read and usually pro-American, depicts the United States insistence on quotas for farm imports as "sadly retrogressive." Other publications have played up the official protests registered by Denmark, the Netherlands, Australia, and New Zealand against United States efforts to sell surplus butter abroad and have featured the contention of Burma and Siam that the United States is cutting into those nations' export market for rice.

It is possible the sentiment is running higher than the facts justify. American officials emphasize that every subsidized sale abroad of United States commodities is managed as carefully as possible to avoid hurting the competing producers of friendly nations.

MORE. MORE

Certainly many Congressmen would like to see the United States go farther in the direction of spilling its surpluses overseas. Recently the House Appropriations Committee criticized the CCC for failure "to discharge its responsibilities to sell commodities competitively in world markets." It indicated specifically that it wanted more sales, even at heavy loss to the taxpayer, of surplus cotton, cheese, corn, rice, naval stores, tobacco, and wool.

More than a year ago President Eisenhower's Commission on Foreign Economic Policy, headed by Inland Steel Chief Clarence Randall, explained the adverse international effect of the domestic farm program, though the explanation has been little heeded. The group said this in its final report:

"To put the matter boldly, it is necessary to emphasize that inflexible price-support programs which hold domestic prices above world prices become price-fixing programs and result in accumulations of surpluses that would otherwise have moved into consumption here or abroad.

"To maintain such price-fixing programs it may become necessary for the United States to apply trade restrictions of various kinds, including import quotas, to keep down foreign importations. To move high-priced surpluses into export markets it may seem necessary to use export subsidies or dumping procedures that, if practiced with respect to imports into this country, would involve the application of our antidumping and countervailing-duty laws.

INHERENT INCOMPATIBILITY

"Price-fixing, particularly with reference to commodities moving in international trade, is inherently incompatible with a pattern of private trade, free enterprise, and nondiscriminatory commerce among nations."

There are people elsewhere in the world, of course, who themselves have reasons for wishing to violate the patterns of private trade, free enterprise, and nondiscriminatory commerce. Some have farm blocs of their own. Some have infant industries with a case for protection. Some contend their entire national economy is underdeveloped and requires pampering.

Such nations are only too happy to discover the United States asking for waivers of the rules of international trade. As things stand now, the United States cannot effectively oppose them.

MR. BAKER. On November 30, in the case of rice pledged for loans and owned by the Commodity Credit Corporation, the total added up to only $2\frac{1}{3}$ months of supply.

Senator MALONE. You mean that they exported that?

MR. BAKER. So far as I can tell they have not actually subsidized any exports at all since the end of World War II. There is a small surplus of rice stocks growing in Southeast Asia. These folks are understandably getting a little bit disturbed as to what is going to be. We feel there should be an international rice agreement.

Senator MALONE. Without your amendments to the bill, all this bill does is to extend for 3 years what we have had for 21 years: that is, it transfers the constitutional responsibility of Congress to the Executive and allows him to change, lower, or raise any duty that he cares to

within the limits specified upon what amounts ultimately to his own decision.

Mr. BAKER. That is our understanding, yes, sir.

Senator MALONE. What advantage do you think that would have over the 1930 Tariff Act that lays down a principle under which the Tariff Commission must operate of fair and reasonable competition—that is, the difference in the cost between this Nation and the production of an article or a similar article in the lowest cost competitive nation—laying down a principle so that no industry could be hurt.

I understood you to say that you did not want any industry hurt.

Mr. BAKER. That is correct.

Senator MALONE. What objection would you have in that principle becoming operative, which it would if we do not extend this act, with your suggestions taken care of in some other manner?

Mr. BAKER. The same objection as we see it as to just straight tariff cutting without the reciprocal negotiation operations.

Senator MALONE. You do not have any tariff cutting. What most of us object to is allowing one man to determine on an international political basis, or for any other reason that he may bring into the picture, to cut a tariff below what you described as the parity and what I described as the difference between the cost of production here and in the chief competitive nations. It is only on the principle that you cannot hurt an industry so that it cannot compete on the local level.

Mr. BAKER. From the standpoint of the preventing of injury to the domestic producers the principle might be all right, but in terms of international politics and economics, you are engaged in unilateral action and you are just hoping that somebody else is going to cooperate. If you do this thing on a negotiated basis through the Trade Agreements Act, through international raw material reserve and international commodity agreements, we can see to it that we have both our protection and that they do things that will help expand it.

I do not like to use this word "trade." We use the words "expanded international exchange of commodities," because the word "trade" gets all tied up with this business of unilateral actions.

Senator MALONE. Has that been the record of the trade agreements that have already been made that they did not do any harm to anyone?

Mr. BAKER. That I am not qualified to say, because I have not made a detailed study of it. My general impression is that it has not greatly injured the Nation as a whole. And as a matter of fact, it has, by liberalizing, had a desirable effect in many, many respects.

Senator MALONE. You say it has not injured the Nation as a whole. At least, we are still treading water in carrying this economy through the manufacture of national-defense equipment and sending it across the water and sending billions across the water to buy our products.

Most of these things that we are storing in Europe are obsolete when they hit the ground there around Detroit. Nobody is ever going to use it in national defense in a third world war, but we would have unemployment if we quit it. So, apparently, there is no evidence that it can be produced without hurting the economy, because we have reached an all-time high of national debt.

It takes twice as much now to pay the interest annually as it used to take to run the Government in 1934.

What you mean is that we have held the prices up so that the farmer has not been hurt; is that not it?

Mr. BAKER. No, sir. That is not all I mean. The farmers have been grievously hurt, in the last 2 years. I mean hurt bad.

When a man's take-home pay gets cut by a fourth, he is hurt.

Senator MALONE. What about when he loses his job entirely?

Mr. BAKER. When he loses his job he is very badly hurt, unless he can get another one, pretty soon.

Senator MALONE. I understand that, too. I think you are right that the reduction has occurred.

How about when, through imports, his job is completely obliterated. Is he hurt?

Mr. BAKER. We have recommended in this amendment that we suggest that you adopt the vocational retraining for other employment, so that he will be qualified for other employment, and that you have unemployment compensation, or whatever other word you want to apply to it, to bridge him over that gap.

And a migration assistance, so that he does not have to pay the cost of moving maybe from one place to another place to get a new job, just because from a national interest standpoint we did something that threw him out of a job back home where he was.

Senator MALONE. There has been quite a lot of that. Where Federal housing programs have been and the boys are paying for a house. They had to leave the area, or, at least they have no income and are still living in the house.

So you agree with the State Department that the Congress should appropriate the taxpayers' money to compensate for the loss of the job and to move these people to where they might get a job?

Mr. BAKER. I did not know that the State Department had made such an enlightened recommendation, but if they have, we would agree with it.

Senator MALONE. They did.

Mr. BAKER. When did this occur?

Senator MALONE. They have made it periodically. I think they have made it 3 or 4 times.

Mr. BAKER. You mean they are supporting the Humphrey-Kennedy and Donohue bill?

Senator MALONE. I do not know about that. I have not read the bill myself. I cannot even say that it is fully supported by the State Department, but by their witnesses, the people that make statements at random.

Mr. BAKER. I am glad to hear that they are taking an enlightened view.

Senator MALONE. But you do believe that you should change the principle here from the Tariff Commission fixing the tariff on principle as an agent of Congress, so that you know it is feasible and will be rearranged as the relation of the economy between the two nations is changed. And correctly, as near as possible, represent that differential in cost, at all times.

You think we should change that and transfer it to the Executive, so that ultimately the Executive can make the final decision on his own account as to whether this injury may be done to a certain industry on the basis of what he believes it to be?

Mr. BAKER. I would say tentatively the final decision, and ultimately the final decision rests right up here on Capitol Hill with the Senate and the House.

Senator MALONE. It does not rest on Capitol Hill with this act. It rests right down there in the White House. And I think in the State Department. One witness has insisted all day that it is the President. I believe technically that is right. So without changing this law or taking it up commodity by commodity on the floor after a bill is introduced there, it is not in Congress, at all. It is simply a case where Congress has no check at all on what the President does.

Mr. BAKER. I largely agree with you, with this exception, and I believe you would agree that Congress does have, even on the negotiated agreements, what you might term an ex post facto veto over any item in it.

Senator MALONE. Would you describe that?

Mr. BAKER. I am kind of glad of the fact that I know three words of Latin and I used them. What I was trying to say what that when the President has negotiated one and it has gone into effect, Congress still has all of the authority in the world to review that.

And if there is 1 or 2 parts that Congress does not like, they can pass a new law.

Senator MALONE. Under the act it does not have that authority. If you can find it, find it for me.

Mr. BAKER. I understand that no Congress can bind the acts of a future Congress.

Senator MALONE. That is true. We could nullify this act. We can take up any commodity we want and a special bill may be introduced—it can be heard here.

Mr. BAKER. That is my impression.

Senator MALONE. Under this act there is no review of the President's decisions.

Mr. BAKER. No automatic review, but there is a review if as a citizen, an individual farmer, he does not like the way a particular agreement was set up, he can certainly petition under the Constitution—petition his Government for redress of his grievance on that matter. And Congress has the authority to undo it or to redo it or to re-make it.

Senator MALONE. What you are talking about now is that we do not have to pass this act at all.

Mr. BAKER. That is true, too; yes, sir.

Senator MALONE. If we did pass it we could defeat it.

Mr. BAKER. Or you can repeal it or nullify any part of an agreement made under it.

Senator MALONE. But what it takes, and this is what I would like to have a meeting of the minds on, is a major operation—there must be a bill introduced or referred to the committee on a specific point which is not covered in this law at all.

Mr. BAKER. That I agree with you on.

Senator MALONE. That is all I asked you.

Mr. BAKER. Yes, sir.

Senator MALONE. Thank you.

Mr. BAKER. It would be a major undertaking, just as it is a major undertaking for the President under the act to reduce or to make one of these agreements.

Senator MALONE. It has not proved to be a major undertaking. They are sitting there at GATT in Geneva on this GATT organization and they do it very fast.

Do you understand that the International Trade Organization was presented at one time to Congress, and then the International Materials Conference was created by the State Department and financed surreptitiously after Congress refused to take the International Trade Organization, and that the United Nations, through their Assembly has now passed a resolution setting up another International Trade Organization and they are all based on this law, that is, without this law that you are talking about they would fall on their face?

Mr. BAKER. You mean on Reciprocal Trade Agreements Act?

Senator MALONE. Yes.

Mr. BAKER. I did not know it was based on that; no, sir. I thought they were entirely separate things. Also, let me say frankly that we are taking what might almost be called a dog in the manger attitude on this GATT operation that is going on right now. We do not want to say what we think of it until we see what it is.

Senator MALONE. We have seen enough of it.

Mr. BAKER. They are still negotiating over there, are they not?

Senator MALONE. They negotiate night and day. In other words, you do not even know what they do.

Mr. BAKER. We do not know. We want to see what it is before we make a statement.

Senator MALONE. You may know more about it. You can get Senate Report 1627. It goes into it, in detailed evidence. It is simply a digest of 10 volumes. It covers it.

I do not like to claim to understand just what goes on myself, because it is a secret negotiation.

If we go back to the Tariff Act of 1930, nothing they do will injure us. Let us put it that way. Nothing they do can injure us, because what this thing provides, all of these trick organizations, are sucker games. Without the sucker there is no game.

They all gather in a big organization some place, whether it is in the Assembly of the United Nations or at Geneva or in the State Department, and if we do not enter the game, there is no game, because we have the only markets to put in the pot.

Nobody but the United States is going to put anything in the pot. So any game we stay out of dissolves of its own weight.

So I say to you if we do not extend this act, and the principle that Congress has initiated in the 1930 act prevails, none of these organizations can divide our markets. But they can under this act.

Mr. BAKER. Some months ago as a part of this process of farm prices going down with farm income, increased imports from Canada, oats, rye, barley, and feed wheat started coming in here to take advantage of our domestic price-support program.

Ultimately, under the machinery that has been set up under the Trade Act of section 22, we were able to get a quota agreement with Canada to limit the amount of imports of those commodities that we thought were injuring us.

Just recently we are very much concerned, and it may be out of order to discuss it here—

Senator MALONE. No, I don't think so.

Mr. BAKER. There is a pending decision or a decision pending before the Tariff Commission on peanut imports. Now, the candy manufacturers of the United States did everything they could, as you will remember, about a year ago, to kick peanuts out as a basic agricultural commodity in the price-support program, and they lost.

Senator MALONE. They wanted to bring the peanuts in?

Mr. BAKER. So now they have petitioned last fall some time, petitioned the Tariff Commission to bring in peanuts from South Africa, and we have presented our case and they presented their case, and it is before the Tariff Commission now, and it will be interesting to see what action is taken with respect to peanuts from South Africa and elsewhere.

The farmers that still produce peanuts are up to 100 percent parity return on their peanuts and it is going to be interesting to see whether they throw down the gates and start bringing in a lot of cheap peanuts to flood the market.

Senator MALONE. If we do not extend this act, you need not worry about the foreign peanuts because that differential of cost will be represented in the tariff and you will be protected.

But if we pass this act, then one man makes a decision whether he ought to get a little cheaper candy and you go out of the peanut business to that extent, or whether you remain in the peanut business with protection.

Mr. BAKER. Let me say, in the first place, that even if the price of peanuts went down to zero, candy would be little, if any, cheaper.

Senator MALONE. I understand that.

Mr. BAKER. Secondly, and more seriously, let me say that if we go on to a straight unilateral operation which would be true under the Tariff Act of 1930, we feel that we would not be doing as much as we could to encourage expanded exchange of commodities, international exchange of commodities.

Senator MALONE. When you talk of an expanded exchange, you mean the more imports of a certain commodity and more exports of something else. Don't you mean that?

Mr. BAKER. Yes, primarily.

Senator MALONE. Well, that, I think, is clear enough in the record.

Now, I will say to you again I agree with you thoroughly that any tariff on peanuts will not increase the price of candy, and it also is true of practically every commodity on earth.

Take your manganese. You need a tariff if you are going to stay in the manganese business in this country. You use about 13 pounds of manganese per ton of steel, and even if there is a 100-percent tariff you can't find it in the increased price of steel. But they make a great to-do about it because it looks like an increased price.

It is just like the soda in the biscuits. Whether you pay 50 cents a box for it or whether you pay 10 cents wouldn't make any difference in the price of the biscuits.

Mr. BAKER. I have heard Harvard and the University of Chicago economists argue both sides of that question. I would like to see a joint congressional committee make a complete and thorough investigation of that very problem that you raised. I don't know what the answer to that is.

Senator MALONE. Well, I think a committee of which I was chairman until the reorganization of the Senate—and now Senator Murray

of Montana is chairman and I am still a member of it—I think we already have enough information to tell you on the 77 critical materials just about what it amounts to.

Mr. BAKER. That is very interesting.

Senator MALONE. It is practically nothing—like tungsten in the steel.

Mr. BAKER. Like wheat in a loaf of bread.

Senator MALONE. That's right; the labor is the thing.

Mr. BAKER. The price of wheat went down from 1 month to another in the last 2 months, and Congressman Mollohan, of West Virginia, called me the other day and said bread went up a penny a loaf in West Virginia last week.

Senator MALONE. Well, it is the price of handling, I suppose, and the labor cost.

Now, that is what the Tariff Commission must take into consideration, all these factors on a principle of fair and reasonable competition. But I understand your testimony here, you are for abandonment of this principle, continued abandonment of it, and the substitution of a one-man final decision as to whether the imports of any certain product shall be increased with the idea that it might be an overall good to the economy or international political good will.

Mr. BAKER. We feel that you can trust the office of the President of the United States to make intelligent decisions on that, and then, if he makes too many of them that we don't like, we don't have to do our part in sending a particular guy back. We have a choice every 4 years to decide who to send over there.

Senator MALONE. I would like for you to answer my question. You are for the change in policy?

Mr. BAKER. Well, a change from the present policy, or a change from the policy of 25 years ago?

Senator MALONE. No. You are for the change in principle, continued change in principle, from a definite principle laid down for the Tariff Commission to operate upon that the flexible import fee or duty or tariff shall always equal approximately the difference in the cost of production in this country and the chief competing country to transferring, as we did 21 years ago, the continuation of the principle that on the shoulders of one man rests the final decision as to what you do with your duties in increasing imports in one sector and decreasing them in another.

Mr. BAKER. With the addition of these programs to protect individuals and groups of people from uncompensated injury; yes, sir.

Senator MALONE. Let's get back to the subject.

Regardless of anything in the bill, the new bill or the old one, it is the final decision of the President of the United States that prevails; isn't that true?

Mr. BAKER. Yes, sir.

Senator MALONE. All right; that's enough.

And you are for that?

Mr. BAKER. Yes, sir.

Senator MALONE. All right.

Senator BENNETT. Are there any more questions? Is there any further testimony?

Mr. BAKER. Mr. Chairman, only that I want to express my appreciation for the courtesy of the committee and the opportunity to be heard today.

I am sorry that the hour has run so late, but there wasn't much I could do about that. It has been a very interesting experience to appear before you.

Senator BENNETT. Fine.

The committee will stand in recess until 10 o'clock Monday morning.

Senator MALONE. I would like to add in the record that I appreciate the attitude of this witness. He has been very fair as to what he is for and what he is against, and has expressed some very excellent thoughts for the benefit of the record.

Senator BENNETT. Thank you very much, Mr. Baker.

The committee is in recess.

(Whereupon, at 4:50 p. m., the committee recessed, to reconvene at 10 a. m., Monday, March 7, 1955.)

TRADE AGREEMENTS EXTENSION

MONDAY, MARCH 7, 1955

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (chairman), George, Frear, Millikin, Williams, Malone, Long, and Bennett.

Also present: Senator Henry Dworshak.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

The first witness this morning is Senator Payne. Senator, we are glad to hear from you, sir.

STATEMENT OF HON. FREDERICK G. PAYNE, UNITED STATES SENATOR FROM THE STATE OF MAINE, ACCOMPANIED BY DR. HOWARD S. PIQUET, SENIOR SPECIALIST IN INTERNATIONAL ECONOMICS, LEGISLATIVE REFERENCE SERVICE, THE LIBRARY OF CONGRESS

Senator PAYNE. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the opportunity of having the privilege to appear before this committee and advance a thought that I have with reference to the so-called H. R. 1, that is being considered and, Mr. Chairman, before I begin my statement, I wonder whether I may ask permission to have Dr. Howard Piquet, senior specialist in international economics, Legislative Reference Service, sit here with me, to assist in any questions that members of the committee may have.

The CHAIRMAN. We are glad to have him.

Senator PAYNE. Because Dr. Piquet is a recognized expert in this subject. He has been of inestimable assistance to me in preparing my proposal and I have followed his work over a number of the years. When I was working to develop this proposal that I am setting forth this morning, I did ask for the assistance of Dr. Piquet in connection with this and asked him whether he would not come here this morning with me.

The CHAIRMAN. We are pleased to have him.

Senator PAYNE. I believe that each member of the committee has a copy of my statement. If they will permit me, I will proceed with the reading of it.

Mr. Chairman and members of the committee, I wish to thank the distinguished members of this committee for giving me the opportunity to testify today on H. R. 1, a bill which would extend and revise the Reciprocal Trade Agreements Act.

The Eisenhower administration supports the principle of greater trade among the free nations and believes that this bill is the minimum it can accept in order to successfully implement its world economic policy. Opponents call the bill potentially ruinous to domestic industry. It is the key, they say, which will unlock the floodgates to a deluge of cheap, foreign goods.

Let us examine very briefly both sides of the argument.

It is true that segments of our industry are suffering economic dislocation. The textile, tuna fish, and crab meat industries are outstanding examples of cases where unbridled foreign competition, principally from Japan, could do serious harm. The fear of foreign competition extends to many other industries, too, such as bicycles, pottery and electric lamps, and if I am permitted, I could go into many others.

Some of these are depressed because of changing consumer tastes or rapid technological changes. Some are depressed only in certain regions, a situation arising from the migration of industry to other sections of the country.

But whatever the reasons, the fact remains that important segments of American industry are depressed. In many cases, increased foreign competition, coming before an industry has had time to adjust, could do irreparable harm. This is not just a bugaboo given birth in the overworked imagination of a high-tariff man. To millions of Americans it is a stark reality, a hard case of bread-and-butter economics. We are faced with a real fear and a real danger that economic instability in the United States, caused by increased imports, could spread abroad and upset the stability of the entire free world.

On the other hand, we know that our allies must trade to live. The United States itself must trade to live. There are few goals as important as making our friends economically strong. Only in this way can they withstand the enticing blandishments of Soviet trade missions. Only in this way can they serve the cause of freedom by acting as a strong, economic bulwark against further Communist expansion.

Greater trade serves the United States, too, by expanding the volume of our exports. We buy from our friends and thus provide them with the dollars they need in order to buy from us.

One serious weakness of H. R. 1 is that, while failing to accomplish what it purports to accomplish, it arouses all the fears that a really bold trade liberalization program would arouse.

This bill retains the original Trade Agreements Act and program as a symbol of liberalized, multilateral trade but, while doing so, gives little promise of increasing trade among the countries of the free world. Furthermore, it gives no clear assurance that harm will not be done to the American economy and to domestic producers. Any realistic program for stimulating international trade must incorporate assurances that efficient American producers will not be injured by competition from countries whose planes of living are markedly lower than ours.

Here we have the core of the current debate. It is a debate as old as the United States itself. What we are witnessing today is nothing more than Shakespeare in new dress. The way the debate is being carried on, however, might give the impression that the question is one of completely free trade versus complete protection. Actually no one today speaks up for either of these dangerous extremes. The question before us is how to reconcile the need for greater trade with the need for protecting our vulnerable domestic industries.

The so-called escape clause is designed to do this. But the escape clause does not satisfy anyone. Domestic producers have only the President's judgment, or, in effect, the judgment of his subordinates, to rely on. The fact that a negligible number of appeals for tariff relief have been granted gives them little reason for comfort under the tattered wing of the escape clause. And even if the clause is invoked, such action comes after the damage has already been done.

And how does the foreign exporter feel about it? It is generally agreed that for many kinds of goods tariffs are not a significant barrier to the United States market. Perhaps an even greater deterrent to the foreign producer is the escape clause. He sees it as a kind of massive economic retaliation. Foreign businessmen ask themselves why they should plan, spend money, set up a sales organization and overcome the other obstacles to getting into the United States market, only to have that market cut off if they are too successful. The escape clause to the foreigner is nothing more than a penalty for success.

It would be desirable to liberalize the escape clause with regard to imports that we want to encourage and to tighten it against harmful imports. This may, at first, appear to be a paradox. It is not necessarily so, however, because it is possible to write into the law a provision that will loosen and tighten the escape-clause mechanism at the same time.

I would like to submit, Mr. Chairman, at this time an amendment to H. R. 1 in the nature of a substitute. This amendment would take the first step toward freeing trade caught in the stranglehold of the escape clause, while at the same time offering some hope for protecting our vulnerable domestic industries. Let me briefly explain the amendment to you.

The amendment would continue as is, the present Reciprocal Trade Agreements Act until June 30, 1957. The purpose of this extension is to disturb as little as possible the status quo of our trade policy until such time as the other portions of the amendment can come into effect.

I want to say here, Mr. Chairman, and members of the committee, that this proposal is not a subterfuge for delay or inaction. I personally want to see some solution to this problem. H. R. 1, I believe, does not offer a permanent solution. It offers only an extension of our time-worn trade policies. There is nothing new or bold in H. R. 1. Never have we stopped to work out the mechanics of the reciprocal-trade idea. But that is exactly what we need today. And so my amendment would set up a Special Commission of Foreign Trade.

This Commission would be composed of five men, not out-and-out protectionists and not professors already wedded to the free-trade doctrine. When I say a Commission of experts, I mean just that, for the job this Commission would do would be technical in nature.

It would be vastly different from those commissions which have worked on this problem previously on a theoretical or a dollar-volume basis.

There are hundreds of goods now made or which could be made in low-wage countries which come into the United States in negligible quantities or not at all. It would be the job of the Commission to decide which of these goods could enter in greater quantities without doing harm to domestic industry. Such a study would be reassuring to our friends abroad if we made clear that we were going about this in a spirit of sincerity and with the conviction that trade must be increased. It would implement the concept of permissive competition.

Although a greater inflow of many kinds of products would have almost no adverse effects on our economy, the cumulative effect of this increased volume of exports abroad would be highly beneficial.

The effects would be beneficial in this country, too. Why should only a few American industries, the "soft spots" of our economy, so to speak, be hurt by heavy foreign imports? Why can't we spread imports throughout the entire economy so that no one is hurt?

The Commission would have other jobs, too. It would determine a feasible percentage of allowable imports to domestic production of products recommended by the Commission for greater importation. The idea here is to let such imports enter up to this percentage without the escape clause being invoked. Once this percentage limit is reached, an industry, if it felt it were being injured, could apply for relief.

The escape clause would also be studied by the Commission, with a view to defining "injury" and giving the Tariff Commission a yardstick to go by.

The Commission would also recommend what powers the President should have to reduce or suspend tariffs on goods which the Committee recommends could be imported in greater quantities without harm being done to domestic producers. If the President determined that he should grant an appeal for relief under the escape clause for goods which had exceeded their import percentage limit, then the higher tariff would be restored. It would be up to the Commission to recommend when the President should have the power to again reduce duties on these products.

Finally the Commission would recommend when the President could restrict imports and exports on the basis of national-defense requirements, and it would set up realistic and workable definitions for "products" and "industries" as mentioned above.

The recommendations of the Commission would be reported to the President and the Congress before January 31, 1957. It is my hope that the Congress would decide to consider the recommendations as a whole, without trying to approve for inclusion in the plan each separate product recommended by the Commission for increased importation. I might add that I anticipate that there would also be enacted at that time legislation, perhaps similar to H. R. 1, which would implement the recommendations of the Commission.

Until such time as the Commission reported, the reciprocal-trade program would continue as before. But the amendment would add something new. If adopted, it would finally give our friends abroad the knowledge that we were sincerely and seriously interested in developing a realistic program for increasing world trade.

Many experts believe that this plan will work. Trade in many lines could be greatly increased with no harm done to American industry. What we need is a formula to get this kind of trade moving. The administration would find this amendment helpful in implementing its world trade policy. Our vulnerable industries would find that it takes the pressure off them.

It is a formula, too, Mr. Chairman, which would help to make the reciprocal-trade program truly reciprocal. I do not believe that H. R. 1 or the present law do enough to promote our exports. Reciprocity is a two-way street, and I think the Commission would help in this way to serve the best interests of our Nation as well as being in the best interests of all the people of the free world.

I believe, Mr. Chairman, that this amendment offers the kind of formula we need to end this perennial national debate on trade policy.

Let's admit that our friends need more trade. Let's admit that we must protect our vulnerable domestic industries. Let's stop exhausting ourselves with shadowboxing exercises. Having faced up to the facts, we can then sit down and in a sensible spirit of intellectual honesty and cooperation work out a solution to this very real and serious national problem.

Mr. Chairman, I would like to ask permission to have a copy of my proposed amendment as to H. R. 1 printed at this point in my testimony.

The CHAIRMAN. Without objection, that will be done.

(The amendment referred to follows:)

[H. R. 1, 84th Cong., 1st sess.]

Amendments (in the nature of a substitute) intended to be proposed by Mr. Payne to the bill (H. R. 1) to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, viz: Strike out all after the enacting clause and insert in lieu thereof the following:

That this Act may be cited as the "Trade Agreements Extension Act of 1955."

TITLE I—FOREIGN TRADE AGREEMENTS

SEC. 101. EXTENSION OF AUTHORITY.

The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is hereby extended from June 12, 1955, until the close of June 30, 1957.

TITLE II—ESTABLISHMENT OF SPECIAL COMMISSION ON FOREIGN TRADE

SEC. 201. DECLARATION OF POLICY.

It is hereby declared to be the policy of the Congress to assist in making the nations of the Free World economically strong by increasing opportunities for a greater flow of multilateral world trade, and inasmuch as it is essential that the American economy remain strong and stable in the interests of world economic stability, to protect vulnerable American industries from harmful effects of increased imports.

SEC. 202. ESTABLISHMENT OF THE COMMISSION.

For the purpose of carrying out the policy set forth in section 201 of this title there is hereby established a commission to be known as the Special Commission on Foreign Trade (in this title referred to as the "Commission").

SEC. 203. MEMBERSHIP OF THE COMMISSION.

(a) The Commission shall be composed of five members to be appointed from private life by the President, by and with the advice and consent of the Senate. The members of the Commission shall be experts in the economics of tariffs and international trade and shall be appointed without regard to political affiliation. They shall serve on a full-time basis and receive compensation at the rate of \$22,500 per annum and shall also be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties. Three members of the Commission shall constitute a quorum.

(b) The members of the Commission shall not engage in any other business, vocation, or employment than that of serving on the Commission and shall not receive remuneration from any other source while so serving.

SEC. 204. ORGANIZATION OF THE COMMISSION.

The Commission shall elect a chairman and a vice chairman from among its members.

SEC. 205. EXPENDITURES AND STAFF.

(a) The Commission shall have power to make such expenditures and to appoint and fix the compensation of such personnel as it deems advisable, without regard to the provisions of the civil service laws and the Classification Act of 1949, as amended.

(b) The Commission may procure, without regard to the civil service laws and the classification laws, temporary and intermittent services to the same extent as is authorized for the departments by section 15 of the Act of August 2, 1946 (60 Stat. 810), but at rates not to exceed \$75 per diem for individuals. The Commission may reimburse employees, experts, and consultants for travel, subsistence and other necessary expenses incurred by them in the performance of their official duties and make reasonable advances to such persons for such purposes.

SEC. 206. DUTIES OF THE COMMISSION.

(a) It shall be the duty of the Commission—

(1) after consultation with foreign and domestic business and government representatives, to prepare a list of products which in its opinion could be imported into the United States in greater quantities from countries with low living standards, without injury to the United States economy or to United States producers and industries;

(2) to determine a percentage ratio of imports of the products named under paragraph (1) to domestic production of such products during the last calendar year for which complete figures are available (not in excess of ten per centum), and to list those products which in its judgment should be permitted to enter up to the respective percentages without the so-called "escape clause" being invoked;

(3) to establish criteria for the determination of injury for the purposes of the escape clause and applying both to the American economy as a whole and to domestic producers and industries;

(4) in cooperation with the Department of Defense, the Office of Defense Mobilization, and other Government agencies, to establish criteria for restricting imports and exports whenever required by considerations of national security;

(5) to establish criteria for defining "products" and "industries" in connection with paragraph (1) above;

(6) to make recommendations on whether the so-called "peril point" provisions of the law should be repealed in the event the recommendations of the Commission with respect to modification of the escape clause provisions are enacted into law;

(7) to make recommendations as to the powers the President should have (A) to reduce or suspend tariffs on those products recommended by the Commission for greater importation and without the escape clause being invoked; (B) to increase duties up to their previous levels after imports of a particular product have exceeded the specified percentage ratio of imports to domestic production, following an application for relief under the escape clause and the granting of relief thereunder; and (C) to again reduce duties on such products when imports fall below the specified percentage ratio of imports to domestic production.

(b) The Commission is authorized to establish such advisory boards and committees as may be found necessary to achieve the purposes of this title.

SEC. 207. REPORT—EXPIRATION OF THE COMMISSION.

(a) The Commission shall submit its findings and recommendations made pursuant to section 206 in a report to the Congress and the President not later than January 31, 1957. The report of the Commission may propose such legislative enactments and administrative acts as in its judgment are necessary to carry out its recommendations.

(b) Ninety days after the submission of the report provided for in subsection (a) of this section, the Commission shall cease to exist.

SEC. 208. POWERS OF THE COMMISSION.

(a) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this title, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, and documents as the Commission or such subcommittee or member may deem advisable. Subpoenas may be issued under the signature of the Chairman of the Commission, of such subcommittee, or any duly designated member, and may be served by any person designated by such Chairman or member. The provisions of section 21 (c) of the Securities Exchange Act of 1934, as amended, shall apply in the case of any failure of any witness to comply with any subpoena or to testify when summoned under authority of this section.

(b) The Commission is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this title; and each such department, bureau, agency, board, commission, office, establishment, or instrumentality is authorized and directed to furnish such information, suggestions, estimates, and statistics directly to the Commission, upon request made by the Chairman or Vice Chairman.

SEC. 209. AUTHORIZATION FOR APPROPRIATION.

There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, so much as may be necessary to carry out the provisions of this title.

Amend the title so as to read: "An Act to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, to establish a special commission on foreign trade, and for other purposes."

BRIEF SUMMARY OF THE PAYNE AMENDMENT

(In the nature of a substitute to H. R. 1)

This act may be cited as the Trade Agreements Extension Act of 1955.

TITLE I—FOREIGN TRADE AGREEMENTS

Section 101. Extends the authority of the President to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended, from June 12, 1955, until June 30, 1957.

TITLE II—ESTABLISHMENT OF A SPECIAL COMMISSION ON FOREIGN TRADE

Section 201. *Declaration of policy.*—Increase the flow of multilateral world trade and, in the interests of American and world economic stability, protect vulnerable American industries from harmful effects of increased imports.

Section 202. *Establishment of a special Commission on Foreign Trade.*—

Section 203. *Membership of Commission.*—Five members appointed from private life by the President and confirmed by the Senate. Members shall be appointed without regard to political affiliation and shall be recognized experts in the economics of tariffs and international trade. Members shall receive \$22,500 a year and shall not engage in any other employment or receive any other remuneration from any other source while serving on the Commission.

Section 204. *Organization of the Commission.*—The Commission shall elect a Chairman and Vice Chairman from among its members.

Section 205. *Expenditures and staff.*—

Section 206. *Duties of the Commission.*—It shall be the duty of the Commission—

(1) In consultation with foreign and domestic business and Government representatives, to prepare a list of those products which could enter the United States in greater quantities without doing harm to the American economy or American industries.

(2) To determine a percentage ratio of imports of the products named in (1) to domestic production (not in excess of 10 percent) and to list those products which in its judgment should be permitted to enter up to the respective percentages without the escape clause being invoked.

(3) To define "injury" as it is used in the escape clause.

(4) To establish criteria for restricting imports and exports whenever the national defense so requires.

(5) To establish criteria for defining "products" and "industries" in connection with (1) above.

(6) To recommend whether the peril point should be repealed in the event the recommendations of the Commission with respect to the escape clause are enacted into law.

(7) To make recommendations as to—

(a) The powers of the President to reduce or suspend duties on those products recommended by the Commission for greater importation and without the escape clause being invoked.

(b) The powers of the President to increase duties on products in (a) when their importation exceeds the percentage limitation and the escape clause has been successfully invoked.

(c) The powers of the President to again reduce duties on such products when imports fall below the specified percentage ratio of imports to domestic production.

(8) To establish such advisory boards and committees as the Commission believes is necessary to achieve the purposes of this Title.

Section 207. *Report and expiration of the Commission.*—The Commission shall submit its report to Congress and the President for action no later than January 31, 1955.

The Commission shall expire 90 days after submitting its report.

Section 208. *Powers of the Commission.*—Hold hearings, administer oaths, issue subpoenas and call on the various agencies of the Government for information and advice.

Section 209. *Authorization for appropriation.*—

(The following letter and amendment was subsequently submitted by Senator Payne.)

UNITED STATES SENATE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,

March 23, 1955.

HON. HARRY F. BYRD,

Chairman, Senate Committee on Finance,
Washington, D. C.

DEAR SENATOR BYRD: I am enclosing copy of an amendment to H. R. 1 which I have prepared and would like to submit to the Committee on Finance for its consideration.

The proposed amendment would add an optional congressional review to the escape-clause mechanism in cases in which the President rejected the Tariff Commission's recommendations. Specifically, if the Tariff Commission recommends relief in an escape-clause case and the President fails to approve that recommendation, either the House Ways and Means Committee or the Senate Finance Committee would be able, by a two-thirds vote, to submit this recommendation to the Congress for final decision. The recommendations of the Tariff Commission would be put into effect if both Houses of Congress by majority vote approve the committee recommendation within 60 days after receiving the President's report against the Tariff Commission recommendation. If Congress is not in session at the time the President makes his report, then Congress must take action 60 days after the opening of the next session.

It is hoped that the Committee on Finance will have an opportunity to consider this proposed amendment during the course of its deliberations on H. R. 1.

With very best personal wishes.

Sincerely yours,

FREDERICK G. PAYNE, *United States Senator.*

AMENDMENT intended to be proposed by Mr. PAYNE to the bill (H. R. 1) to extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes, viz: At the end of the bill add the following new section:

"SEC. —. Subsection (c) of section 7 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1364) is amended by adding '(1)' after '(c)' and by adding at the end thereof the following new paragraphs:

"(2) Whenever in any case where the President makes a report, as provided in paragraph (1), either of such committees, after consultation or hearings, determines by the affirmative vote of two-thirds of its membership that the recommendations of the Tariff Commission should be carried out, the committee shall so report to its respective House within thirty days after receipt of the report of the President or if the Congress is not in session within thirty days after the beginning of the next session. The committee shall accompany its report with a concurrent resolution stating substantially as follows: "That the Congress approves the recommendations of the Tariff Commission with respect to _____ as included in its report to the President, dated _____, the blanks therein being appropriately filled.

"(3) If, within thirty days after receipt by the House of Representatives or the Senate of any such report from the House Committee on Ways and Means or the Senate Committee on Finance, as the case may be, both Houses of Congress adopt, with or without amendment, any such resolution, the recommendations of the Tariff Commission shall be carried out to the extent provided in such resolution and the President shall take action accordingly."

Senator PAYNE. Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Payne.

Senator GEORGE, are there any questions?

Senator GEORGE. No; I have none, I do not think at this time.

The CHAIRMAN. Senator Millikin?

Senator MILLIKIN. No questions.

The CHAIRMAN. Senator Martin, any questions?

Senator MARTIN. Mr. Chairman, to save time, I do not believe I will ask any questions but I do think that the Senator has made a very fine presentation, and of a matter that should have the very serious consideration of, not only our committee, but the people of the United States. The Senator has mentioned quite a number of articles, such as tunafish and things of that kind. I would like to ask the Senator this question: Is it not the fact that some of the greatest industries of our country, like the steel industry, like the making of tin, electrical appliances, and a lot of the things that go into the making of automobiles, are now large but they started as infant industries, and would not have had the opportunity to grow if they had not had the protection of a tariff?

Senator PAYNE. That is correct.

Senator MARTIN. That is all, Mr. Chairman.

The CHAIRMAN. Senator Carlson?

Senator CARLSON. Only this: I want to commend the Senator from Maine for the study he has put into this. I think it is a very splendid statement.

The CHAIRMAN. Senator Malone?

Senator MALONE. Mr. Chairman, I, too, want to commend the Senator for the evident work that he has done in studying the unwork-

ability of the present act. Senator Payne, do you understand upon what basis the General Agreement on Tariffs and Trade and the Assembly resolution under the United Nations setting up a world trade organization and international trade organizations and International Materials Conference, upon what they are resting their case, on what they are based?

Senator PAYNE. You are referring to GATT?

Senator MALONE. That is one of them, yes, General Agreement on Tariffs and Trade.

Senator PAYNE. Well, of course, Senator I feel they have all been established on the premise that it would be possible to develop a greater mutual understanding among the nations of the free world and provide a favorable climate for greater trade opportunity. I must confess, however, that I am very strongly of the belief that much of it, in fact, the major portion, has been done basically upon a theoretical premise which could be set forth in lovely textbook language, but which fails to recognize basic, fundamental concepts of reaching a practical solution for this problem.

Now I might say that somebody is going to say that this matter has been studied at length. If you will permit me to take just a moment, I should like to discuss this point. Of course, this subject has been studied at length. Yet it has never been studied in the direction that I propose here in this particular amendment. Emphasis in the past has been given in the various studies to an industry as a whole.

For instance, we have talked automobile industry, we have talked textiles. We have never gotten down into a complete study of the selective items that go to make up those finished products. In other words, there are certain segments of the textile industry in this country that imports are not bothering at all. But if you want to break this down into its selective portions, there are segments of the textile industry in this country that I venture to say will be wiped out of existence within a reasonable period of time unless relief is given. You can go into the pottery situation, you can go into many other fields, and you can find that if you talk about it as a broad overall picture, that it is going to be difficult to come up with a percentage figure that will show great injury. However, if you get into selective consideration, you will find definite injury being suffered by industry in those selective categories. It is this type of a study that I believe can bring out exactly where a favorite climate can be engaged in for domestic industry. It can point out greater opportunities for our export business, and greater opportunities for foreign industry to engage in import-export business on their part and to send imports into this country. Such a study could give us a greater balance of trade than we even enjoy at this time. We have never gotten down to it at the grassroots level and really found out what can make this situation tick off in good shape.

Senator MALONE. I think that is a very good statement, Senator. You do understand, however, that these extraneous organizations, not official in the United States at all, are based upon the 1934 Trade Agreements Act as long as it remains in the Executive's hands or the State Department's hands, where they can make these deals.

Now, if the act is not extended and reverts to the Tariff Commission on the basis of fair and reasonable competition where the commission

studies each industry and part of each industry—that is to say in the textile industry, each kind of textile, to determine what, if any, tariff is needed to make up the difference between the cost here and the cost abroad—then these organizations, if this does revert to the Tariff Commission on that basis, and it does by 1 minute after midnight, June 12, if the act is not extended, cannot get together in Geneva or in New York, or in some other seaport, and divide the markets of our country with their nations. You would understand that. That opportunity is gone?

Senator PAYNE. That is right.

Senator MALONE. In other words, it is just like the man that has the money that they are trying to get into a poker game in a little town; if the man with the money doesn't sit down, then there is no game. The 1930 Tariff Act, section 336, set down very carefully the principle upon which the Tariff Commission would proceed in fixing the duty on each particular article and each particular kind of a textile, which would be on the basis of the difference of cost here and the cost in a chief competing country. That difference would be the tariff, that would be the duty.

Now then, assume that there are parts of the textile industry that would not need this protection. If there was no particular difference, then there would be no duty. So the job of the Tariff Commission, as set down under the 1930 law is to do just about what you outline there.

Now, I think then you have brought up a very important phase of this thing: that nobody really does understand the 1934 Trade Agreements Act and the things that can be done under it by the 50 or 60 foreign nations that so far outnumber us when we sit down in the game—and we put the only money in the game. If ours are the only markets of any magnitude, then they are playing for our markets?

Senator PAYNE. That is right.

Senator MALONE. That is what the game is about. So a study certainly is needed to make more people understand this.

Now if the 1934 act is not extended you do understand that all the trade agreements that have been made remain in full force and effect until and unless the President of the United States serves notice for cancellation on that country with which a trade agreement has been made, and then in 6 months that would revert to the Tariff Commission. You understand that phase of—

Senator PAYNE. Well, I do not have a complete knowledge of it, not as you do, Senator.

Senator MALONE. Well, that is a fact. So I was going to say, if this is to be studied, no change would be made. That is to say, the State Department could not trade off any other industries?

Senator PAYNE. That is right.

Senator MALONE. If it is not extended, there would be no change in the present setup unless the President himself canceled the trade agreement, so why would we need to extend it to make the study?

Senator PAYNE. Well, I would just consider it would be more orderly procedure for the present act to be continued for the 2-year period.

Senator MALONE. Well, you understand if it is continued, then these trick organizations that I have already mentioned (and perhaps many

more would be organized), could sit down and continue their game.

Senator PAYNE. Well, I would very much hope that when the Tariff Commission finds that injury is being suffered under the provisions of the escape clause, that the situation would be looked at pretty seriously by all who have a concern for the economic stability of this country.

Senator MALONE. You would not be in favor of lowering the duty, then, below what the Tariff Commission, after a full study, determines to be the point at which this industry would be hurt?

Senator PAYNE. That is correct.

Senator MALONE. Well, then, that is exactly what section 336 of the Tariff Act says. It says that this study shall be made in each case, and that it can be brought up every few months on the invitation of either House of Congress or of the President, upon the Tariff Commission's own motion or that of any interested party.

Senator PAYNE. The only thing there, Senator, if I am correct in analyzing what you are discussing, would that situation not in effect place this Congress back in the same situation it was in in 1929, when the Congress itself practically became a tariff commission unto itself?

Senator MALONE. No, it does not revert to that at all. It simply reverts to the Tariff Commission under the 1930 act. You see, in a hundred years there was quite a good deal of development in the methods of levying tariffs. It was recognized by the Congress that there was a certain danger when a committee of each House took up all the products and tried to arrange a certain duty. So, instead of trying to maintain that, in 1930 they set the tariffs but said in section 336, that the Tariff Commission should, at any time and on a flexible basis, rearrange these tariffs on the basis of what they found to be the difference in cost, often referred to as fair and reasonable competition.

In other words, if the exact difference in cost, plus the ocean freight, were recommended as a tariff, that would give equal access to our markets but no advantage. The Tariff Commission was the boss.

Now, that does not mean that Congress could not take up any item that they thought the Tariff Commission had made a mistake on. They could do it through a regular bill introduced into this committee and the Ways and Means Committee in the House, but they could not do it without such a bill. It is all in the Tariff Commission.

Senator PAYNE. With the permission of the chairman, since you are getting into something that I feel I would want to have somebody who has spent a greater number of years on this subject than I have to answer your question. I wonder if Dr. Piquet would care to make any observation on it?

Senator MALONE. Yes. I would be very happy to have him do that.

Senator PAYNE. Because I have a great deal of respect for Dr. Piquet.

Senator MALONE. Would you identify him for the record?

Dr. PIQUET. I can only discuss the technology. Under the rules of the Legislative Reference Service, we are not permitted to take part in partisan debate.

Senator MALONE. This is not partisan debate. I would like you to understand that we are here trying to arrive at what the situation is now and what it would be if we did not extend the act so that we understand the situation thoroughly and can give that explanation to

the Senate of the United States, but I would be very glad to have you testify if you would identify yourself for the record.

Dr. PIQUET. I am Howard S. Piquet, senior specialist in international economics, Legislative Reference Service, Library of Congress.

Senator MALONE. I did not understand you.

Mr. PIQUET. Senior specialist in international economics, Legislative Reference Service of the Library of Congress. I think I can answer that question in the context of the present amendment. The present amendment has two requirements, first, that foreign trade in fact be increased and, second, that there be no serious damage to domestic producing interests. If we were to revert to section 336 and give up the present legislation, it would negate the first part of the Senator's amendment, which is to increase foreign trade.

Under section 336, we would be putting the entire emphasis on the protection of domestic producers without stimulating foreign trade.

I might add that several prominent persons who have had the responsibility for administering the cost equalization formula (section 336) such as Robert Lincoln O'Brien, Thomas Walker Page and Frank W. Taussig—

Senator MALONE. Who are these people you are mentioning?

Dr. PIQUET. These are former chairmen of the United States Tariff Commission.

Senator MALONE. At what time?

Dr. PIQUET. Robert Lincoln O'Brien in the early thirties. Thomas Walker Page previous to that and Frank Taussig in the early days of the Tariff Commission. All three have—

Senator MALONE. What dates?

Dr. PIQUET. I cannot give the exact dates, Senator. That is a matter of record but Robert Lincoln O'Brien has testified before this committee that the cost equalization provision has been not workable. I just cite that.

Senator MALONE. What is not workable?

Dr. PIQUET. The cost equalization provision of the Tariff Act of 1922.

Senator MALONE. When did he testify?

Dr. PIQUET. I do not know the exact date but it was in the vicinity of 1934 or 1935. I believe that Mr. O'Brien—

Senator MALONE. Do you recall his testimony as to why it is not workable?

Dr. PIQUET. Well, I would refer to what Mr. O'Brien said. He was responsible for that. I am just citing this as a fact.

Senator MALONE. What did he say? Well, do you have any ideas on it?

Dr. PIQUET. Well, in executive session, sir. Mr. Chairman, I would be glad to testify on that point. I think it would not be germane to the present bill but I would be glad to testify.

Senator MALONE. Why in executive session? Why couldn't anybody hear you testify?

Dr. PIQUET. I am sorry, but I am subject to the rules of the Legislative Reference Service, and my supervisor—

Senator MALONE. In other words, you think your supervisor would not like it?

Dr. PIQUET. It is a rule of the Service that we not testify except in executive session.

Senator MALONE. Well, you do not testify—

Dr. PIQUET. In executive session, we do, sir.

Senator MALONE. Well, is it that important?

Dr. PIQUET. That is not for me to answer.

Senator MALONE. Well, then, Mr. Chairman, I submit this witness is not very much help if he will only testify in executive session, unless we could call an executive session.

Senator PAYNE. Well, Mr. Chairman and Senator Malone, if I may say, Dr. Piquet is here at my request, in connection with—

Senator MALONE. I think it is very fine he is here.

Senator PAYNE. The introduction of the measure I have before the committee and he, of course, does have to comply with the requirements of the organization that he is connected with.

Senator MALONE. He has testified now that—

Senator PAYNE. I would not want him to be placed in any embarrassing position because of my having invited him here to be before this group.

Senator MALONE. I am afraid he is in one now. He has testified that the Tariff Commission, the tariff law is unworkable.

Dr. PIQUET. I testified, sir, that former Chairmen of the Tariff Commission said that.

Senator MALONE. If you are going to get into this—

Dr. PIQUET. I must correct the record of what I said.

Senator MALONE. Would you mind just explaining to us why it is not workable?

Dr. PIQUET. I am afraid that I would then be giving my own opinion.

The CHAIRMAN. Excuse me. I was called out for a moment. Did you say the Tariff Commission Chairmen testified that the law was unworkable?

Dr. PIQUET. Yes, sir.

The CHAIRMAN. The present law?

Dr. PIQUET. Section 336, cost equalization.

Senator GEORGE. Cost equalization of the Smoot-Hawley Act?

Senator MALONE. Could we have some ideas? Do you believe it unworkable? Could we have your statement as to why you think it is unworkable?

Senator GEORGE. I do not think the witness ought to be asked that question. He said he could answer only those kinds of questions in executive session of this committee.

Senator MALONE. Could he, Mr. Chairman, give us his answer in writing, that would be—

Senator GEORGE. I do not think the witness ought to be asked a question of that character because he merely referred to the prior appearance of a former Chairman of this Commission who testified to certain facts in that witness' opinion, and this witness ought not to be called on to give his reasons why he thinks it is workable or unworkable, not in this hearing, because he is carrying out his function here in a proper way, it seems to me, he ought not to be asked it. I might say that I very well recall former Chairman O'Brien's testimony, it is in the records of this committee, and it is available to any one of us who want to go back and review it. Mr. O'Brien did give his opinion as to why it was unworkable, as I recall it. I would not undertake to say what he said at that time, myself, without going back and reading it.

Senator BENNETT. Mr. Chairman, would it be appropriate under the circumstances, to ask that the staff dig up the O'Brien testimony and insert it into the record at this point, reinsert it into the record at this point?

The CHAIRMAN. If the Senator makes that as a request, it will be done.

Senator BENNETT. I would like to make that request, Mr. Chairman, so it will be before us.

The CHAIRMAN. All right.

Senator MALONE. I think that is a very good suggestion.

As I understand the thing, Senator, you are not in any way expressing your opinion as to whether this act should become a permanent fixture in our setup at all? What you want is a complete study of the situation to determine whether we want to adopt it permanently, or not?

Senator PAYNE. You are correct, Senator. I have a question in my mind as to the act as presently constituted becoming a permanent structure. But I believe in order to maintain a status quo situation, so that we do not upset any good that may have resulted, that we continue it for this 2-year period. In the meantime, let a commission of experts who would follow the direct and clear policy of the Congress go into this situation and try to come up with the answers that can be of benefit to this country and at the same time be of benefit to the nations of the free world in increasing our trade potentials.

(The testimony of Mr. O'Brien referred to is as follows:)

STATEMENT OF HON. ROBERT L. O'BRIEN, CHAIRMAN OF THE UNITED STATES TARIFF COMMISSION, BEFORE THE COMMITTEE ON FINANCE, APRIL 26, 1934

The CHAIRMAN. Mr. O'Brien, have you any statement to make before the committee, with reference to this bill?

Mr. O'BRIEN. Yes; I would like to address my statement particularly to my fellow Republicans and such others as estimate highly the importance of the present law of section 336, on the cost of production. The bill that is now before you gives the President the same identical power, or at least, very closely thereto, but for another purpose, namely, for trade compacts or agreements.

Senator CONNALLY. You mean it gives him the same power that he has got now under the flexible provision you specified?

Mr. O'BRIEN. Yes. He can raise or lower duties 50 percent now, under the so-called cost-of-production theory.

Senator COSTIGAN. The bill is even more analogous to the powers granted the President in section 338 of the Tariff Act of 1930.

Senator COUZENS. But they are only punitive, Senator; they cannot be reduced, under that section.

Senator COSTIGAN. I have reference to the breadth of the powers.

Senator GOBE. You said, "cost-of-production" theory. You used the word "theory" advisedly, I am sure.

Mr. O'BRIEN. Well, the notion that you can obtain costs of production; the notion that you ought to obtain them; the notion that tariffs between countries should rest upon differences in costs of production, even if omniscience should give us the power to determine them, is all wrong. The tariff is a question of national policy; on some things, you ought to have a tariff greater than the difference in the cost of production; other things, less than the difference in cost of production.

Senator COSTIGAN. As a matter of fact, Chairman O'Brien, there are many tariffs at this time which are higher than the difference in costs of production.

Mr. O'BRIEN. Oh, yes; very much higher—higher than the selling price of the article in this country, in some instances. On the other hand, there are tariffs on articles which are very much less than the differences in the cost of production. I maintain that a tariff should be a matter of national policy. What do you want to do about it? What is the best thing to do? If anyone would tell us

what the exact difference in the cost of production of all the commodities in the world was between this country and the chief competing country, that difference ought not to be the tariff. To start with, it would be changing all the time. It would not last 1 month, in any event.

Senator GORE. I am glad to hear you say that.

Mr. O'BRIEN. Now, we talk about the flexibility. This is known as the flexible tariff. I regard the term, applied to our present law, as an extreme joke. For example, in the spring of 1924, the Tariff Commission raised the duty on wheat from 30 cents to 42 cents. And that figure it has remained for 10 years. If anybody supposes that the difference in cost of production of wheat between the United States and the chief competing country has been standing steadily at 42 cents all that time, when wheat was selling in this country for 25 cents, he is mistaken. That assumption would have implied that the Canadians were willing to give us 17 cents to help us pay our 42 cents duty at that time, with every bushel of wheat they presented to us.

At other times in between, when wheat has been \$1.50 a bushel, this difference, or duty, has remained unchanged. The lowest figure on wheat last year, according to my associate, who has just brought it here, was 40 cents, or 2 cents less than the duty to equalize differences in cost of production.

Senator GORE. Is that wheat on the farm or wheat on the exchange?

Mr. O'BRIEN. I think that must mean Chicago, on exchange because I have heard of wheat on farms as low as 25 cents.

Senator GORE. Yes. The year before, it was.

Mr. O'BRIEN. Yes; but the principle is this, that we call this a flexible tariff. It is not. Nothing that stands still for 10 years, when the cost fluctuates from sixfold to 1, when the price has been 6 times as high in 1 period, as in another, can be called flexible.

Secondly, the length of time it takes us to determine these things, the average time that the Tariff Commission has been engaged in finding these things is such that there isn't an article that does not change in its cost of production during that period, often a great many times.

Senator COUZENS. Are you not often prevented from getting the cost of production abroad?

Mr. O'BRIEN. Well, we always have the selling price, and that is the real thing with which people compete. The selling price is, in my judgment, an immeasurably more valuable thing than the cost of production.

Senator COUZENS. Well, at that point, though, do you not have difficulty in getting the cost of production abroad?

Mr. O'BRIEN. I think not very seriously. I think it depends on their point of view, what they hope to gain by it. We must remember in all these things, that "accountancy is a tool of management." If one is in a business in which he wants the price to be raised high because he is coming before the Tariff Commission where the cost counts a good deal, if he is properly advised by his lawyers, he swings his mechanized accountancy so as to give him a high cost of production. There are lawyers who have acquired great skill in advising their clients how to meet the terms of section 336.

Senator GORE. It depends upon whether he is offering his property for tariff or for sale.

Senator CONNALLY. Mr. O'Brien, may I interrupt you a moment?

Mr. O'BRIEN. Yes.

Senator CONNALLY. I have talked with you before, about this cost of production. I would like to develop, a little, your whole theory, and ask you to give your views as to whether it is a sound principle at all, or not.

Senator HASTINGS. If you don't mind, I wanted to ask, before he left that wheat problem, whether or not your selection of wheat as an illustration is not a rather unfortunate one, in that 42 cents was always high enough to keep out practically the importation of wheat? Isn't that true?

Mr. O'BRIEN. I don't know what "fortunate" in an illustration means. I thought it was fortunate, as illustrating my point, that our tariff is not flexible. It is true that the Hawley-Smoot tariff bill reenacted the 42 cents, which the Tariff Commission has carried the tariff to, but ever since that bill passed, in 1930, it has been within the power of the Tariff Commission, assuming that the President ratified its action, to push that duty either up or down.

Senator HASTINGS. But would it have helped the wheat farmers any if it had been pushed up?

Mr. O'BRIEN. That is a question on which I ought not to pass judgment, as the Tariff Commission is supposed to be a scientific agency.

Senator GORE. If the duty was made \$100 ab ushel, it wouldn't have raised the price of wheat to \$90?

Senator HASTINGS. What is that, Senator Gore?

Senator GORE. I say, if they would raise the tariff on wheat to \$100 a bushel, it probably would not have raised the price of wheat to \$90 a bushel. Let me ask you this, in connection with this wheat: The tariff, before it was raised, was 30 cents a bushel; then it was raised to 42?

Mr. O'BRIEN. Yes, sir.

Senator GORE. Now, doesn't 30 cents more than cover the difference in the cost of production of wheat, between here and Canada?

Mr. O'BRIEN. I would not like to reflect upon the scientific accuracy of my predecessors who were in office 10 years ago, when they raised the duty to 42 cents.

Senator GORE. I appreciate your deference.

Mr. O'BRIEN. In the spring of 1924, when the Tariff Commission, in its bipartisan neutrality and in its deathly search for scientific accuracy, looked into the tariff question, and reached a conclusion that 42 cents, rather than 30 cents, was the difference in the cost of production of wheat between the United States and Canada, it would be very ill-becoming—

Senator GORE. Possibly they were endeavoring to determine it by looking into the ballot boxes and into the hearts of the farmers.

Senator COSTIGAN. Chairman O'Brien, perhaps it might tend to clear up some confusion on the subject to say that the difference in the cost of production of wheat was intended to apply to the northern hard spring wheat, and was not designed to represent the difference in cost of producing the great bulk of the wheat produced in the United States.

Mr. O'BRIEN. That is a splendid illustration, Senator, of the difficulties of carrying out this law—the number of complications as to what is comparability and what is the chief competing country. Within 3 months the Tariff Commission made an investigation, and I asked, yesterday, the man chiefly concerned with it, about it, and said he: "3 months ago, we took so-and-so as the chief competing country. It is not the chief competing country today; therefore our facts have gone out the window."

I dislike the law very much indeed, the idea that we are to find the difference in the cost of production here and abroad, and to base a tariff on it. I believe nobody, short of omniscience, could do it and stick to it for any length of time, and if we could do it, we ought not to do it. I would like to give very hurriedly, two illustrations. There is a medical product that can be raised in this country at a very heavy, punishing cost, so to speak. The chemical company, or the apothecary company that deals in it, tells of the great efforts they have made to get that material to grow successfully in this country. "We can make it go. Put on duty enough, and we can make it grow." But it apparently is not good policy, considering that it is a medical article, used by the millions of people in the country.

Now, under the law as it stands, we have but one duty—to go to that article and find the difference in its cost of production here and in the chief competing country, and you would get what from my point of view is an extreme duty, but it would not be a wise thing to do. We could a great deal quicker and more effectively get at it by taking the prices at which the article sells here and in the chief competing country.

Senator GORE. Is there a tariff on that article?

Mr. O'BRIEN. Yes, sir: it is a tariff that does not adequately represent the differences in the cost of production, but, on the general welfare theory, it is probably as high as it ought to be.

There is another article that has come up recently, that I do not think the difference in the cost of production has been enough, or would be enough for a tariff. I refer to beer. When we repealed prohibition here, had there been a scientific ascertainment of the difference of the cost of production between beer in Munich and beer in Wisconsin, let us say, the difference would not have been sensational. It would not have been, in my judgment, great enough to give the brewery interests in the country, in getting back into stride, with some diminishing prestige, because of the long being-out-of-occupation. It would not have given the brewery interest any advantage. The duty should be higher than the difference in cost of production, just as in the case of the medicine it should be lower.

You can go over article after article, and it does not seem to me that the difference of the cost of production is what should be the basis of the tariff.

Senator COSTIGAN. On the article you first mentioned, since the tariff does not represent the difference in the cost of production, and, conceivably, does not represent the difference in competitive conditions, is there any reason for a tariff at all, other than revenue?

Mr. O'BRIEN. Why, yes; a little. The people that are raising that article are very eager to have it raised, and they ask Government institutions like the Veterans' Bureau to be compelled to buy the American-raised medical products, regardless of differences in price.

Senator COSTIGAN. Does it not, nevertheless, afford an illustration of articles on which the duty might be somewhat reduced for bargaining purposes?

Mr. O'BRIEN. Possibly, but I should be reluctant to prejudice the producers of this commodity against the pending bill by saying that I agreed with you.

Senator GORE. Let me ask you right there—I judge from what you said, that the cost-of-production theory, in your judgment, is not possible of application, even if it were desirable, and it would not be desirable, even if it was possible?

Mr. O'BRIEN. That is exactly my view.

Senator HASTINGS. Then I would like to know upon what you would base it—on what you would base your judgment?

Mr. O'BRIEN. I would have the Tariff Commission make general economic studies, for which it is wonderfully well equipped, in which we have a great body of scientific experts who do very exceptional work in the finding of facts, having a great deal more time than these committees of Congress do. I would have the Tariff Commission make such economic studies, conduct hearings, if you please, to find out the story, and have its information, contributory to either the President or the Congress, as the case may be, available for the handling of the great tariff questions.

I would not have the Tariff Commission a source of primary power, and my position is vindicated by the fact that you have never made it a source of primary power. Take the great sugar question, which has been decided by this committee within very recent dates. Has the Tariff Commission ever decided that, for the country? Should the Tariff Commission have decided it? We have spent at least \$50,000, on two occasions, in making investigations, which have been worth while, but when it comes to the question of what should be our tariff, it is a question of such ramifications that it belongs very much higher up than with the Tariff Commission.

Senator HASTINGS. But I should like to inquire upon what basis you would fix the tariff? You would not do it upon the difference in the cost of production abroad and the cost at home. I am not inquiring about how we should arrive at it, whether by the Tariff Commission, or some other way, but I should like to get your theory, upon what it should be based.

Mr. O'BRIEN. General welfare, general commonsense. There are certain factors that can be brought into that very well. The difference in the selling price of a commodity here and abroad is very immediate, direct, and readily understood. If an article is selling in Montreal, readily, wholesale at competitive rates, for 20 cents, and is selling in New York at 28 cents, here is a very simple question, in which we see that business, in considerable part, should be done in the United States. I would take the difference in selling price as a very pertinent piece of information.

Senator HASTINGS. Well, isn't the selling price very much more apt to vary from time to time than the cost of producing that particular article?

Mr. O'BRIEN. I don't think so. The selling price is a very real thing. Cost of production depends upon whoever sets up the skids, that will determine how the sled shall go. The selling price is a very real thing, that you can get at.

Senator HASTINGS. Selling price at what place?

Mr. O'BRIEN. Wherever you want to have it. That is one of the rather big subjects, right there, on the field of competition.

Senator HASTINGS. Where would you have it?

Mr. O'BRIEN. It would depend upon the article, and the competitive conditions, and where the chief competing market, as the law says, is. But I would handle that with a good deal of commonsense.

Senator HASTINGS. Well, if you would just answer me. For instance, can you conceive of fixing a tariff upon some article that was manufactured abroad and imported into New York City—can you conceive of a situation where you might judge the price that is being charged for that article in New York, and base a tariff rate upon it?

Mr. O'BRIEN. You could do that. Look at the country as a whole. Take beer, to which I just referred. It would be a fairly simple matter to decide, what is beer selling at in Germany? Let us assume that is a country that would be a predominant competing country. What do the American producers, the American brewers, sell it for? Look it over, make an economic study of the thing, and make your tariff somewhere along where you want to settle the business. If it is our desire, as I assume it is, in the main, to have most things made here, to have the greater part of the business done in the United States, where it is economical and practical and feasible to do so, that will make the people who want to buy the export beer pay a little more for it, at the Occidental Cafe here; but let the figure be at such a level that the great body of the brewing for the American consumption would be done here; and I take somewhat of a general view of the country, as a whole.

Senator HASTINGS. Well, suppose you are dealing with a particular kind of sweater that is made abroad, and is brought in competition with sweaters that are manufactured in this country, and now, all the importer has to do is to fix the price just a little below that which the manufacturer in this country can afford to make it for, to get that business; isn't that true?

Mr. O'BRIEN. It might be, but I wouldn't have that kind of tariff. If it were our decision to have most of the sweaters or all of the sweaters made in this country, if it seemed public policy to do so, I would give a tariff which would keep that business on an even keel, and give the American producer the great body of the business. That is what most of our tariff laws do.

Senator HASTINGS. Well, how would you determine the amount? Where would you pick out the selling price? In Europe, or in this country? Tell me that.

Mr. O'BRIEN. Well, you would pick it out in both. You would ascertain what it costs to bring it into New York from Europe and what it costs to bring it to New York from Connecticut, or from New Jersey, and then put a duty that would let the American producer ride quite comfortably. I could give a long list, here, of the difficulties that we have, or that the institution has, in ascertaining the cost of production. I have been quite disturbed, at these hearings, both here and in the House, by the assumption that we have, in the cost-of-production theory, an instrument of scientific precision, very much like the Weather Bureau. Of course, in the Weather Bureau, you can go out and find the difference in temperature between Buenos Aires and Boston; it is a fixed thing, upon which everybody would agree.

Senator HASTINGS. I do not think anybody assumes that that can be a perfect way of determining.

Senator GORE. It is not a perfect way, but it is the most perfect "flapdoodle" method known.

Mr. O'BRIEN. I beg your pardon?

Senator GORE. I say, it may not be a perfect way, but it is the most perfect "flapdoodle" in the world, if I may say so. Would you mind—is there any reason why that should not be inserted in the record, Mr. Chairman?

Mr. O'BRIEN. What put in the record?

Senator CONNALLY. The list of difficulties you are speaking of.

Mr. O'BRIEN. No; that can go in. It was written by Mr. Fox. Mr. Fox, have you any objection to my putting this in the record?

Mr. Fox. No. I just want to make a change, though.

Mr. O'BRIEN. Well, Mr. Fox will make a slight change, or any other change—

The CHAIRMAN. Well, that can go into the record.

(The statement of difficulties referred to is as follows:)

SOME DIFFICULTIES ENCOUNTERED IN APPLYING THE COST-OF-PRODUCTION FORMULA
IN SECTION 336 INVESTIGATIONS

1. Difficulty of establishing comparability of domestic and foreign products.
2. Selection of representative period for cost finding.
3. Selection of plants and areas for which to obtain costs in United States and foreign countries.
4. Allocation of costs between products, especially where joint costs are involved. One of the most baffling difficulties of cost ascertainment here presented.
5. Ascertainment of costs for part-time and part-capacity operation.
6. Difficulty in establishing basis for calculating depreciation, depletion, and interest on investment.
7. Uncertainty of the basis for computation of transportation costs.

8. Complications and difficulties involved in securing costs in foreign countries.

9. Where a wide range of costs are obtained, a serious problem is presented of combining the costs into an equitable average cost.

Many other difficulties might be listed, but the most serious objection to the cost formula is as a sole basis for rate adjustment. These difficulties must not blind us to the advantages which commend the use of costs of production as one of the "yardsticks" for measuring the adequacy of a rate of duty. Among these advantages are the following:

1. Costs of production provide a more definite measure than other competitive factors.

2. The cost rule, as applied by the Tariff Commission under the flexible provisions of the Tariff Acts of 1922 and 1930, has resulted in rate changes, both upward and downward, which have corrected some serious maladjustments of duties and have disclosed the existence of other maladjustments.

3. Cost investigations produce many valuable results, such as—

a. They develop a large amount of definite information about competitive conditions.

b. They disclose the comparative efficiency of different industries and of the establishments within an industry.

c. They are of value to the industries in that they help them to observe the weak spots within the establishment, and in that they disclose ways to correct the wasteful methods and means for better control of operations.

Mr. O'BRIEN. Another thing I wanted to bring out to this group here, this committee—the present law is Presidential tariff making. The new law is Presidential tariff making.

Senator HASTINGS. I would like you to tell us just how that is. Why do you say it is Presidential tariff making? Do you eliminate from the consideration the entire Tariff Board, under the present law? Is it true that the Tariff Commission, now has no functions to perform with respect to this principal provision of the tariff?

Mr. O'BRIEN. Why, of course, it has functions to perform.

Senator HASTINGS. Well, does it perform them?

Mr. O'BRIEN. Yes, sir; we bring in quite a few reports from time to time. They must be approved by the President.

Senator HASTINGS. Well, is it or not true that the Tariff Commission exercises an independent judgment; or is it, as I think I saw where you stated before the House committee, wholly subject to and under the control of the President?

Mr. O'BRIEN. The President appoints the Tariff Commissioners. Most men in positions wish to retain them and be reappointed.

Senator HASTINGS. Does that prevent you from doing what you think your duty is under this tariff act?

Mr. O'BRIEN. It does not prevent my doing it, or my associates.

Senator HASTINGS. Do you know of any other member of the Tariff Commission that you think is influenced by a fear that he will lose his job if he does not do what the President suggests with respect to a tariff? I think the country is entitled to know whether we have gone all these years under a false color with respect to that.

Senator CONNALLY. Yes; he will tell you.

Mr. O'BRIEN. The President appoints the members of the Tariff Commission. Every President has views on the tariff, up or down. His friends have views. I would not, for reasons of official propriety, disclose any concrete or specific incidents of this kind, either past, present, or I might say future, but I think that you know, Senator, that you have access to the President of the United States, and that every Senator, particularly of the party of the President of the United States, has access to the President. Tariffs are not a taboo subject. Every President has theories, has beliefs of what he wants to do regarding the tariff. At least, his senatorial and other friends have views of what they want to do. The President appoints the Tariff Commissioners. President Roosevelt will have the privilege, in the term for which he is now elected, of filling 5 of the 6 places on the Tariff Commission, and any President can pick out his kind of members of the opposite party, men who are more or less in sympathy with his point of view, assuming that he has a point of view. At all times, the White House and the Tariff Commission are not unrelated factors in the community. I do not wish to say more than that your own commonsense and Washington experience will show you these things.

Senator HASTINGS. Well, I might say this, that I think somebody might be suspicious that that sort of thing was from time to time going on, but the shock-

ing thing, to me, is that the chairman of that board should come before a committee and say that was a fact.

Senator CONNALLY. If it is a fact, why shouldn't he say it?

Senator HASTINGS. Well, I am just trying to find out.

Mr. O'BRIEN. And my statement is that I do not think, for instance that in 1924, the Tariff Commission would have brought in a report, changing the duty on wheat from 30 to 42 cents, if they had known it would be received with profound disfavor and disgust by the then President of the United States, who was in that year a candidate for reelection. I do not think that you can separate the Tariff Commission's functions from the President of the United States and his personal interests.

Senator HASTINGS. Well now, let me ask you another question: Are you familiar with a proclamation issued by the President on May 23, 1934, with respect to the laminated sheets?

Mr. O'BRIEN. Yes, sir.

Senator GORE. There is something wrong about your dates, Senator. You said "May 1934."

Senator HASTINGS. May 23.

Mr. O'BRIEN. You mean April?

Senator CONNALLY. May hasn't arrived yet, Senator.

Senator HASTINGS. This comes from the United States Tariff Commission. The Tariff Commission announces that the President has issued a proclamation which becomes effective—

Mr. O'BRIEN. Oh, yes.

Senator HASTINGS. Dated May 23, 1934, decreasing the present rates of duty, 25 cents per pound ad valorem, to 15 cents per pound, and 25 percent ad valorem, on laminated sheets. Now, I would like to inquire whether the President had anything to do with the recommendation of the Tariff Commission with respect to those rates.

Mr. O'BRIEN. Absolutely nothing.

Senator HASTINGS. That is what I hoped.

Mr. O'BRIEN. And, on the other hand, had he or his friends had a very large personal, or political, or other interest in that, he was not required to proclaim that change.

Senator HASTINGS. I understand that.

Mr. O'BRIEN. And we can look back, historically. There have been a good many—quite a few, at least—Tariff Commission recommendations, which have been sent back by the various Presidents, to the Tariff Commission, for reconsideration. There have been quite a few that the President has refused to proclaim or to announce to the world. Now, that result is not because the President has, at the White House, a larger or a more competent, scientific agency for ascertaining the scientific difference in the cost of production here and abroad, that he holds those things up or changes them. I do not say that any President has ever made a mistake in doing that. I do not think that any President ever has. I do submit, gentlemen, for your consideration, if it is not clear, that so long as the President has the power to withhold proclaiming a tariff change or has the power to send it back to the Tariff Commission, which he often does, that the absolutely scientific quality of the cost-of-production idea vanishes.

Senator HASTINGS. But he cannot do it unless the Tariff Commission recommends it, can he? He must have the Tariff Commission recommending it, before his proclamation can become effective, under the present law?

Mr. O'BRIEN. True.

Senator HASTINGS. Well, isn't that a very great difference between the present law and what is proposed here?

Mr. O'BRIEN. I don't think so. The pending law would allow the President to reduce tariffs, we will say 50 percent. Since nobody objects to tariffs being raised, let us discuss this solely as a question of tariffs being reduced. The President has the power now to reduce tariffs 50 percent. He would have, if this bill passes, the power—

Senator HASTINGS. He does not have it, unless he gets the recommendation of this Tariff Commission?

Mr. O'BRIEN. The Tariff Commission is still at his service, will still be at his service as soon as this bill passes, to give him any information and check up.

Senator HASTINGS. Well, now, you have just demonstrated why the Tariff Commission does have some functions which it exercises occasionally, at least. Here is this to which I have called your attention, and with which you say the President had nothing to do.

Mr. O'BRIEN. Right.

Senator HASTINGS. And I assume you think that what the President did is correct?

Mr. O'BRIEN. I do.

Senator HASTINGS. So there is one illustration of a function of the Tariff Commission that was effective, isn't it?

Mr. O'BRIEN. True, it is a relatively unimportant article, but what would you say if—

Senator HASTINGS. I think it is very important to the people that are affected in this country.

Mr. O'BRIEN. I know, but it is not a subject comparable to sugar and wheat and oil and copper.

Senator HASTINGS. Well, that is the reason I complained about your taking wheat as an illustration.

Mr. O'BRIEN. What I said about the Tariff Commission, the great things in the world, affecting the great basic commodities, like the four articles upon which an excise was put, 2 or 4 years ago this winter, copper, coal, and so forth, those were not tariff changes and could not have been made by the Tariff Commission, because I remember they were on the free list; but you take this oil-question—it was not Tariff Commission change, the excise on coconut oil and sesame. It was true, the Tariff Commission had made investigations and reports on that subject, which I hope were of value to this committee, but the great decision rested with the legislative body, here, as in my judgment it should have rested. Now, when you come to Presidential—we have now Presidential tariff-making. It is useless to walk away from that idea, I meant, metaphorically. I did not see that you had stopped away from your seat. I mean, walk away intellectually. [Laughter.] I beg your pardon.

Senator HASTINGS. I was about to come back, if you were starting to demonstrate that again.

Mr. O'BRIEN. It is impossible for us to get away from the idea that the present tariff law is Presidential tariffmaking. One's commonsense and political observation would lead one to think that the changes that the President makes in decision of the Tariff Commission, the failing to ratify the sending back for re-review, and all of that, are not due to his superior scientific equipment at the White House for the scientific ascertainment of the difference of cost of production between this and the chief competing country.

Now, if the President has the power, as he has today under this bill, to reduce tariffs 50 percent, under the present law, I think the reason for doing it, under the proposed law, is a great deal better than the reason under the present law. I think the arguments of Dr. Dickinson and of Dr. Sayre, and others, as to the conditions of our international trade, call very loudly for the grant of power to do something; it should go somewhere where it can be effectively handled in an administrative way, which, of course, is through the President. The President will have just the same privilege of using the Tariff Commission, of having it at his disposal, under the new law, I hope, as he has now, and my hope and belief—I know nothing to the contrary—is that the Tariff Commission would be utilized, just as much to check up on what should be done as to American industries, and to what extent, if any, concessions in tariff should be made, as it is now.

It looks to me that the power that you grant the President, this 50 percent reduction, is exactly the grant he has now, only you have substituted—

Senator HASTINGS. I wonder, just there, do you know whether or not your associates on the Tariff Commission will agree with that statement? Do you think you can get a single one of them to agree with that statement?

Mr. O'BRIEN. I think so. They are all within sight or sound, here. They can all be summoned here. They can all come here, and I would feel very reluctant to express views for them. They haven't, any of them, been to me, to protest over what I said before the Ways and Means Committee.

Senator HASTINGS. Well, remember now what you said. You said that he has power, now, and you said it, time and time again, and I insist that, under the law, he hasn't got it, now, until the Tariff Commission acts, and under your theory, as I get it, the Tariff Commission amounts to nothing, so far as this thing is concerned, so far as this flexible provision is concerned. Do you want to leave the record in that sort of situation?

Mr. O'BRIEN. Not having made that record, I would not like to leave it that way.

Senator HASTINGS. Well, you have just said that, time and time again.

Mr. O'BRIEN. I did not say the Tariff Commission amounted to nothing.

Senator HASTINGS. So far as the flexible provision is concerned.

Mr. O'BRIEN. I said the flexible provision was not flexible. I think I know what the word "flexible" means. I see a lot of things in this world, from air cushions, up and down, that are flexible. I think an agency which holds for 10 years undisturbed a duty on wheat at 42 cents, when wheat has ranged from 40 to \$1.50, in that period, is not altogether flexible. I think that if any President of the United States suggested, through the various agencies that are always open to a President of the United States—he doesn't have to issue a proclamation of these things—if any President of the United States indicated that it was his desire that the duty of 42 cents should be reduced, I have an idea that common sense will suggest to us that perchance the Tariff Commission might find a means of doing it.

Senator HASTINGS. Isn't there a rule by which the Tariff Commission must act?

Mr. O'BRIEN. Yes, sir.

Senator HASTINGS. You would not violate that rule, just because the President suggested he wanted something done, would you, knowingly violate that rule?

Mr. O'BRIEN. That tariff on wheat could be taken up, with entire propriety, at any time, and the law requires the Tariff Commission to take up the subject that the President or Congress—

Senator HASTINGS. But if you found the facts did not warrant you in recommending to the President that which he wanted done, you do not mean to tell the country and this committee that you, as a member of the Tariff Commission, would do it, do you?

Mr. O'BRIEN. No such situation would arise. Take on the wheat business, why haven't we done anything on that, for so long?

Senator HASTINGS. But you just said a moment ago, if the President should indicate to the Tariff Commission that he wanted a certain thing done, the Tariff Commission would undoubtedly find a way to do it. Now, I ask you the question, whether they would do that, in view of the fact that the law specifically sets forth the rules by which they must arrive at their conclusion?

Mr. O'BRIEN. These things are left in a very vague area. Nobody would be violating any law or any oath of office who reduced the duty on wheat at the present time, or particularly during the year when its selling price was less than its duty.

Senator HASTINGS. Well, suppose the President picked out something other than wheat, and picked out something that the facts would not permit you to do, to carry out his wishes. What would the Tariff Commission do under circumstances like that?

Mr. O'BRIEN. Why, I would go up and talk with the President about it and tell what the difficulties in the thing were, and any President has been very—all the Presidents, through the history of the Tariff Commission, have as a rule been very reasonable minded about it. If you were to prod me too strongly on this, I am afraid my discretion would vanish, and I would tell you of one President under whom I did not serve, who became very angry at the Tariff Commission's attitude, and subsequently apologized to its Chairman for speaking to him harshly upon the very issues that you raise. I want only to say that you can see for yourself, gentlemen, the President is accessible to every member of this committee, let us say. Any President has other relations and interests in the world. Does it stand to reason that when there is standing on the President's desk a proposal of the Tariff Commission to reduce the duty of this white paper, let us say, and everybody knows that such a proposition is awaiting the President, a proposal to reduce the duty on that white paper—bad illustration, but I will keep on with it—50 percent, would it not occur to the common sense of all observers, that people could get at the President? I mean, in a perfectly proper and intelligent and patriotic way, to call his attention to how bad we think it would be to reduce the tariff 50 percent? If that could not be done, just how does one account for the cases upon which the Presidents have not followed the Tariff Commission, the number of things they have sent back for reconsideration? It is no disrespect to the White House Office Building, with its groups of employees, to say that no one would claim that its Bureau of Scientific Investigation was superior to that of the Tariff Commission. In other words, where any President has not followed the Tariff Commission, he has done so for reason other than scientific ascertainment theoretically contemplated by the existing law.

Senator CONNALLY. May I ask you a question, right there? In other words, in the cases in which the President has not followed the Tariff Commission,

he had had, on one side, the scientific recommendation by the Tariff Commission, and he has had on the other side, something else?

Mr. O'BRIEN. You are right.

Senator CONNALLY. Motives and considerations of which we are not able to determine, because we do not know what was in the President's mind?

Mr. O'BRIEN. You are right.

Senator CONNALLY. But as between those two considerations, whether they were political or personal, or arbitrary, or "what have you," the President, in those cases where he did not follow your scientific recommendations, acted upon other considerations?

Mr. O'BRIEN. That is an inescapable conclusion. I am not unwilling to say that all Presidents have been always right, in the times that they have turned down the Tariff Commission. I know many times when I think they have been. But the fact remains that you have a list of recommendations made by the Tariff Commission to the President, a certain number of them which have been disallowed, and Senator Connally has stated the inevitable conclusion that the President had, on one side, the so-called "scientific" ascertainment of the Tariff Commission, and he had on another side, something else, and I think it is unreasonable to suppose that he had a superior scientific equipment for handling it in a scientific way.

The CHAIRMAN. Mr. O'Brien, before you conclude, I want to get your reaction to this one point. Do you think it is practical, in the framing of this legislation, and in negotiating these reciprocal trade agreements, for us to provide for some form of hearing of those who might be interested, without unnecessarily delaying and unreasonably delaying the negotiations?

Mr. O'BRIEN. It would delay it a little, but I think that would be all right. I wish, however, to say that Mr. Sayre and his group are better people to answer that question than I, as they are the managers, so to speak, in behalf of the administration, on the pending legislation. As far as I am concerned, I should feel very sure that the Tariff Commission, or some other agency, ought to make an economic check-up, let us say, of any proposed tariff reduction. Somebody ought to do it, and I assume it would fall to the Tariff Commission. Now, that checkup might include a hearing. It might include economic studies, might include anything you want, but the only objection, of course, is the objection of delay, and showing your hand to the other side.

The CHAIRMAN. Well, that might be done by a public notice?

Mr. O'BRIEN. Yes.

The CHAIRMAN. That on a certain day, those who are interested might appear?

Mr. O'BRIEN. Just as you have.

The CHAIRMAN. Some agency that the President might designate, or the State Department?

Mr. O'BRIEN. Yes, I think so.

Senator BARKLEY. Well, if the State Department, acting under the direction of the President, should be in the process of negotiation of an agreement with a foreign country, do you think it would promote the consummation of that agreement, for the Tariff Commission, or the Department of Commerce, or the President, to announce a public hearing at which anybody who felt that he might be affected adversely by it, would show up, and then, on the other side, those who thought they might be affected by it beneficially, would have a chance to debate with them, whether they would or would not be—do you think we would ever get an agreement under such a process as that?

Mr. O'BRIEN. I do not think that would be the most effective way of doing it. I think an economic study by the Tariff Commission's expert would be better than the hearing. I have no objection to the hearing. I often get a good deal of information from them, but the general economic study of the thing is a great deal more intimate and vital than the hearing. There is a good deal of stage play at hearings.

The CHAIRMAN. Well, we all realize that. I just wanted to get your personal reaction.

Mr. O'BRIEN. I may have given an example of it, myself.

The CHAIRMAN. Now, is there anything else?

Mr. O'BRIEN. No, sir; I have taken too much of your time now.

The CHAIRMAN. All right, we thank you very much. The committee will recess until 10 o'clock Monday morning.

Senator MALONE. What you would like to find out is if there is a way of increasing trade without injury to any industry in the United States?

Senator PAYNE. That is correct.

Senator MALONE. And if it were found that we were revising a duty below that differential of cost between this Nation and the chief competitive nation, you would not be in favor of lowering it beyond that point?

Senator PAYNE. I believe in giving our own economy a chance to live and breathe.

Senator MALONE. Yes.

Senator PAYNE. Under proper circumstances.

Senator MALONE. Now, there are a couple of points that I should like to clear up—and understand that I do not want to pin you down on any particular thing because I know that you are trying to study this situation as we all are. You are trying to figure out whether or not it is a good idea to leave the regulation of tariffs in the hands of one man, the President, who has designated the State Department as chief negotiator; for the State Department or the Executive to be able to make a change without informing anyone until the change is underway; for one man to be able to make a decision that may take in international political considerations and other considerations, but not the difference in the cost of production; or whether it should be confined to the Tariff Commission that does it on a principle laid down by an act of Congress.

Senator PAYNE. Senator, I go back to my basic concept that the whole problem has been studied, and I have here, without laboring the committee at all, the reports the various types of studies that have been made. I maintain that not one of these studies has been made by a group which is not dedicated to one or the other of extremes: One a high tariff position, and the other one a free trade position. My proposal would establish a Commission of men who would develop a clear, expert understanding, as a result of the work they would do, as to the protection that we need in order to maintain stability in this Nation and at the same time increase imports, thus realizing the benefits that can accrue to our neighbors across the seas in trying to help them build up their economies. Now if you would just permit me, my thinking on this goes back to 19—I have forgotten the year now—1933, 1934, or 1935. To show you how unrealistic we were at that particular time. I was down here as the mayor of a city in connection with the paper industry of this Nation. That was at a time when every single paper mill in this country was operating three 8-hour shifts a day, 365 days a year, and yet they were not able to supply 50 percent of the needed newsprint for the consumption of this country. Yet at that time we saw newsprint mill after newsprint mill, paper mill after paper mill, going out of existence. Why? Because we were not facing up to this thing realistically in trying to work out a balance that could protect our own industry, giving full employment opportunity, and at the same time giving recognition to foreign trade coming in here. We did eventually work it out fairly satisfactorily because we negotiated with Canada. We took a new look at the thing and finally got ourselves back in shape. We today are not producing all we need. This is a field where, of course, Canada and some of the other countries have a

perfect opportunity to feed into us our shortage of supply in certain fields, whether it would be on the pulp, on the paper, and so forth. But I am fearful if we got into all of the provisions as contained under this H. R. 1, I am just fearful of what might result in our paper industry in this country, because that could throw them very much into a tailspin again.

Senator MALONE. Well, I was just trying to pin it down.

You would not then be in favor of designating any one man who could trade one industry for another, in other words, lower the duty on one to the point where that industry was depressed, to build up another one?

Senator PAYNE. That is shortchanging the man or the woman who has practically built his or her life as a skilled workman in a different type of industry, and saying, "Well, after all, we are going to throw you over for the benefit of something else."

I do not believe it is necessary. I think the thing can be worked out realistically and I maintain, even though I may be wrong, that the formula that I have advanced has merit. I believe that it can work, and can work for the objectives that have been advanced by the President, and by those who are interested in trying to develop a greater trade area for the entire free world.

Senator MALONE. You would not be in favor of another Randall Committee?

Senator PAYNE. I think highly of all of the Commissions that have studied this, and I have high regard for the members that were on the Randall Commission. However, I am getting away from what is termed either a political commission as such, that is appointed, and which works on one premise, in which basically they have taken into consideration dollar shortage. They have talked in terms of an industry as an overall picture, and have not looked at the selective situation that I mention here, which gives permissive determination as to a particular segment of an industry. I do not think they ought to be predisposed to any particular philosophical point of view that we should follow here on foreign policy.

I think they should indicate which products could be imported into the United States from low-wage countries, without resulting in serious damage to groups within the United States economy and under safeguards that are laid down by the Congress itself, not by individuals, but by the Congress itself.

Senator MALONE. You would be in favor of the Congress keeping full control of that?

Senator PAYNE. I believe that is so established, except that realistically I think, of course, the Congress has delegated to the Tariff Commission in order not to become a tariff commission unto themselves, certain powers in order to permit an orderly functioning of our trade.

Senator MALONE. Now this dollar shortage that you speak of, I too, have been trying to give that considerable thought in the last 8 years. When foreign countries have a shortage of dollars, they like to buy, but it goes above their earnings power. We give them the money to buy our goods—that is, in the foreign field. In the domestic field, we call it installment buying. I think that would be about the next thing.

The only thing, installment buyers have to pay for it and the others do not. That is all.

The CHAIRMAN. Are there any further questions?

Senator Bennett?

Senator BENNETT. Mr. Chairman, I just have one question which usually leads to another. I am very interested in your idea that you must set up a new commission and your hope that you can find five completely impartial, impersonal, experts. I recognize the desirability of your objectives. Couldn't these be achieved by changing the assignment of responsibility to the present Tariff Commission which has already the basic facts at its fingertips or has the staff with which to get the facts and happily at the present time, we have a Tariff Commission of 6 men, it is my understanding that 3 of them lean toward the protection of American industry and 3 of them lean toward improvement of, or an increase in imports even at the expense of industry, so you have a balance, you have the facts, you have the staff, now why should we add the cost of setting up a completely new commission and going back over the same basic set of facts? Couldn't we accomplish what you hope to accomplish simply by changing the assignment and responsibility of the Tariff Commission?

Senator PAYNE. Senator, I will answer that in this way, if I may.

The Tariff Commission as presently constituted is a bipartisan commission.

Senator BENNETT. You are correct.

Senator PAYNE. The Tariff Commission under present law has some very broad and definite powers given to it by the Congress in order to carry out the present law. The Commission that I propose would be an objective one, and I firmly believe it is possible to secure one. Without flattering the gentlemen at all, I am sitting very close to a man who has given his life to this type of study, a man who I believe is as well qualified as any person in this country to give an answer, after study with a group similar to him, as to what is needed to come up within both the law and the concept of what can develop a better climate of trade in this entire free world of ours. I am talking about Dr. Piquet, a nonpartisan individual.

Senator BENNETT. I understand.

Senator PAYNE. Such a Commission would be free to work on this type of thing, neither believing in the concept of free trade, nor in the concept of high protective tariff. It would approach the problem realistically, not being under the thumb of industry, which might have some very selfish reason why they might want this, nor under the thumb of those who would theoretically believe that such a thing should be carried out. As Senator Malone has stated, it would work under a concept that might come up with a formula for developing a more favorable climate for trade in the minds and the thoughts of those across the waters.

Either idea is commendable, but using the Tariff Commission does not arrive at the solution to this problem and, therefore, I believe that it has got to be a separate group. I believe it has got to be a non-partisan group which is not dedicated to either one of those two concepts.

Senator BENNETT. Well, of course, you have the hope, and with all apologies to Dr. Piquet, that you can find a group of five intellectual

robots, who will come up like a Univac machine with the right answer leaving out all aspects of Government policy, or anything else?

Senator PAYNE. I believe that they will come up with a better answer than has been come up with yet, Senator.

Senator BENNETT. Well, you are going to, as I see it, you would set that Commission the task of going back over all the ground and re-constituting all the basic facts that exist already in the Tariff Commission, or if you are going to send these men to the Tariff Commission to get their facts, then why not put the Tariff Commission to the task? Now as I see it, you have five tasks that you are going to assign to this Commission.

First, it would be the job of the Commission to decide which of these goods could enter in greater quantities without harm to domestic industry. If that is based on facts, and not on opinion or belief or political predilection, then you have already in the Tariff Commission a commission with the facts and it would seem to me that would be a rather simple job to assign to the Tariff Commission.

Senator PAYNE. I would like to have Dr. Piquet, if you will permit me, answer that.

Senator BENNETT. I would be glad to hear his answer.

Dr. PIQUET. That is a technical question that I do feel free to answer, Mr. Chairman. The 20 years I have been associated with this work in Government, almost half of them at the Tariff Commission as Chief of the Economics Division, have been confined to studies of statistics and facts which you quite properly state are relatively readily available.

As contemplated in Senator Payne's bill, the new Commission would be looking, not for statistics on actual imports, but for something that is not available statistically, namely what new goods could be imported without injury to domestic producers. In other words, the kind of product that we would be interested in importing, I should think, would be those that do not show up in the statistics at all, by virtue of the fact that they do not now enter the country.

Senator BENNETT. Don't you think the Tariff Commission, with a new assignment, could discover those products?

Dr. PIQUET. If you substantially increase the appropriation of the Tariff Commission and add to its staff, they probably could, but the Tariff Commission as constituted today is probably the most over-worked agency in the United States Government.

Senator BENNETT. Then your answer is no?

Dr. PIQUET. That is right.

Senator BENNETT. The next proposal is that you permit this Commission to set up quotas on a percentage basis in respect to particular imports on the theory that we can stand so much of it but we can't stand any more?

Senator PAYNE. Right.

Senator BENNETT. Isn't that something that the Tariff Commission has prepared on the basis of its existing information to give you? That has to do, as I understand it, with imports that are already coming in.

Senator PAYNE. They would have to have the other information that would be developed by this Commission in order to arrive at that determination. As you will note, this Commission that I propose, will

work with other agencies of the Government in coming up with their recommendations to the Congress for enactment of legislation that will put into effect this type of a proposal.

Senator BENNETT. We have already had a commission outside of the Tariff Commission which has come to be called the Randall Commission, and that just brings us back to the responsibility we had in the first place, and it seems to me that if we are going to continue to face these problems by ignoring the agency that has been set up and established and which has been supplied with the facts, to set up another outside agency to do part of its work for it that we are not getting anywhere and we would be much better, and I say this in all friendliness, to make the law with respect to the responsibilities of the Tariff Commission, increase their appropriations, if necessary, but not set up two tariff commissions, one carrying its present responsibilities and another new tariff commission trying to draw a pattern out of facts which you say the present Tariff Commission does not have but which it obviously could get.

Now, the other three things in your proposal as I read them, first you are going to have this Commission work up a definition of injury.

Senator PAYNE. Injury, yes, sir.

Senator BENNETT. Now it seems to me that either the Tariff Commission or the Finance Committee and the Ways and Means Committee can work up that definition.

And your last two, which would recommend the powers that the President has to reduce or suspend tariffs, or to restrict imports and exports, it seems to me that responsibility belongs fundamentally to Congress, and we are in the process now of trying to decide as the Senate Finance Committee, what recommendations we shall make to the Congress with respect to limitations or restrictions or increases in the power of the President, so it seems to me that we can abolish what you want to accomplish by amending the present law and changing the assignments to the Tariff Commission without going through the process of setting up a whole new organization within the Government and from that point of view, I would prefer to approach it through a readjustment of the pattern of the Tariff Commission than to set up another new outside commission and wait 2 years or so before we come up with the answer. I say that frankly and in a friendly fashion because I like the approach. I think it is a down-to-earth and a very valuable point of view from which to attack the problem. But I believe we can accomplish it through changes in existing facilities rather than trying to set up a new commission.

Thank you, Mr. Chairman.

Senator PAYNE. Mr. Chairman, if I may just make an observation.

I know, of course, Senator Bennett, what you are aiming for and it is a concept that I am very firmly in support of. That is to not create new agencies of the Government or new commissions when we have an agency already existing that can undertake the work. It, of course, should be borne in mind that if such a proceeding was to be carried out under the existing Tariff Commission, that of necessity, sufficient funds would have to be made available for them to undertake the type of work required.

Now the members of this committee, and the Congress, of course, would have to determine whether or not it were reasonable to have a strictly partisan committee on a 3-3 basis, 6 members, to do this

work. It would have to be determined whether they would sit there and bring in, let us say, whatever is needed in the way of experts in the field who have a nonpartisan and a free approach to this thing, to bring in the recommendations that would come up finally through to the Congress.

Now it is true that this committee and the Congress can come up with certain determination in connection with this law. I am afraid, however, that we are not going to come up with determinations, as we are presently constituted, on a selective basis, determinations that will clearly pinpoint where injury exists. I say also that injury must be defined. We must determine what we mean by injury, which is not clear at the present time and which has not been recognized by the administration through the years this act has been in effect. In other words, there have been very few cases where on recommendations of the Tariff Commission, that injury has been suffered, where their findings have been upheld by the administration. I believe that injury must be specifically defined so that when injury does pertain, and it is found by the Tariff Commission, that the Congress is aware of that fact, and that action is taken by the responsible parties to sustain that injury and to protect American industry. I believe that as a result of the findings of the group which I propose, that definition can be arrived at, that the selective areas where injury may obtain will be pinpointed. We can likewise develop a much clearer and a freer atmosphere for the development of trade, both from our side of the picture and also from the other countries of the free world.

Now do you get at it? I have no pride of authorship. It is a suggestion that I offer to the members of this committee for consideration. The only thing that I would hope is that sometime before too long and before we have allowed damage to be done to ourselves, that we come up with a hard core. We should set up a definite understanding of this situation and go at it in a practical manner without selfishness or anything except a desire to bring about that which I am sure all of us want to see happen. How do you do it? That is entirely up to the members of this committee, of course, and to the Congress.

The CHAIRMAN. Thank you very much, Senator Payne, for your contribution.

Senator MALONE. Mr. Chairman.

The CHAIRMAN. Senator Malone?

Senator MALONE. One thing I would like to clear up again. I have tried to on occasion on the Senate floor. There seems to be a concept that anyone who wants to leave to the Tariff Commission an adjustment of the duty or tariffs on a basis of fair and reasonable competition to give Americans equal access to the American markets is for a high tariff. The good adviser there says that it is not workable, or someone has said it is not workable, but it is like the fixing of freight rates. If you make a mistake the first time then even the women and children know what it ought to be the next time because you try it, and the Tariff Commission on a flexible basis can keep trying until they get it right.

I want to say again for the record that I have never heard anyone say they are for a high tariff, or that they want to protect business on that basis. I have heard it said when they are on the other side, that

they want a lower tariff so that even more of the products of certain kinds can be shipped to this country without such protection.

I certainly am not for what you consider a high tariff. I am for equal access to the American markets of the American producer. Now that does not seem like too much to ask. Let us go on the next item.

Many of these products have never had a tariff, as the good adviser knows. Maybe 55 to 60 percent of these materials never have had a tariff because it was not supposed by the Tariff Commission or the Congress that they displaced an industry here that is of enough magnitude or could produce a product at a fair price. It has been brought out here, of course, that you can produce anything here. They just produced a diamond the other day, a little high cost, but they produced one. Nobody is going to say that diamonds should not come in here without a tariff unless a diamond can be produced here at a fair cost. Then there might sometime be consideration given to that industry. Now that is the way that these things have been done for 75 or 100 years, not always correctly, but always groping for the right answer. There is a continually changing economy between the economical structure of the chief competitive country and our own. That is the reason a flexible duty is necessary in my opinion. Now what we are trying to do probably, if we think it through, is to build the plants in those countries, mostly with the taxpayers' money, and to force trade on them beyond their ability to pay—in other words, beyond their earning power each year—unless we do furnish markets for them to sell the stuff.

Now they called that a dollar shortage. You and I can have a dollar shortage in 1 way, they can have it in 2 ways—by spending more each year than they earn and by fixing a price in dollars on their currency above the market price. With a dollar shortage then, if we want them to buy more products we give them the money to buy and we have done that continually with billions of dollars since World War II. When domestic people have a dollar shortage we have installment buying, so that for \$20 they can pay on a radio or 5 years on a car or something so that with a few dollars you can own a car or a radio. We have not reached that point yet in foreign countries, but I want to say that on a recent South American trip I crossed something that looks like it is starting.

They tell me in practically all of the South American countries—this comes right out of the feedbox—that they would rather trade with the United States but "The Germans, the French, the English, Belgians, the Netherlands come here and offer us 4 to 6 years' credit, the Americans insist on 1 or 2 years' payment."

Well, I had a type of answer after I heard that a couple of times: that it is our money they are offering you the credit with. We give them the money to offer the credit to South American nations which, if you analyze it, makes considerable sense.

To me, we should stop those payments so they cannot offer 4 to 6 years of credit in South America when our merchants can offer only 1 to 2 years. But in forcing the trade, you see, you have to find some way to let them pay over a long term of years just like installment buying here. Some think it is good, some think it is bad.

Now I think the suggestion made by the Senator from Utah makes a lot of sense because, if you will just study the setup of the Tariff

Commission, the only difference between them and a theoretical study is that they know the situation, and they are already empowered to make practically all the study that is necessary here. Or it would be very easy to set up a reorganization of the Tariff Commission with no reorganization of personnel necessary at all. That would give them full blanket authority on the basis of fair and reasonable competition to set the duties and the tariffs and to determine a reasonable price, that is what they consider an average reasonable price, in relation to the competitive price. As a matter of fact, I myself have introduced a bill 3 or 4 times, it is introduced now, called a Foreign Trade Authority, that would authorize such a reorganization.

I think that the Tariff Commission is an institution that could do all the work necessary on a practical basis. The Senator from Maine also has given us food for thought, and, Mr. Chairman, we should think it through to this point: That it is not necessary to extend this act. Let the Tariff Commission or any other commission study it, and there would be no change in the setup at all as it now exists, unless the President himself served notice of cancellation on any of the countries with which such trade agreements are made, and then it would go back to the Tariff Commission to be decided on the basis of fair and reasonable competition. What you apparently are looking for is something that enables you to lower the duty below that point of the difference in cost, without injury to the industry itself. I understand what the Senator is after, Mr. Chairman. I think it is a very desirable objective. But I think, if you allow this act to expire, it will not change the situation at all and you can direct the Tariff Commission or another commission to make the study.

The CHAIRMAN. Thank you very much, Senator Payne.

Senator PAYNE. Thank you, sir.

The CHAIRMAN. The next witness is Congressman Dorn.

STATEMENT OF HON. W. J. BRYAN DORN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. DORN. My name is W. J. Bryan Dorn, representing South Carolina. Mr. Chairman, I have no prepared statement and I do not plan to take up but very little time of the committee. I realize that you have been very patient here in the last few days.

There is a point or two, however, that I would like to call to the attention of the committee, and I want to say in the beginning, I am not as familiar with the technical aspects of the bill or of the trade situation in general as you gentlemen are.

However, I represent a district which is a large textile manufacturing district and used to be a large cotton-producing district, Senator George, but we do not produce much cotton any more.

Senator MARTIN. Mr. Chairman, would you identify yourself as to your State and district?

Mr. DORN. South Carolina.

Senator MARTIN. I am sorry, I did not hear you.

Mr. DORN. I gave it to the reporter.

Senator MALONE. What district?

Mr. DORN. Third District.

Senator MALONE. What part does it take in?

Mr. DORN. Southwestern part of the State, right at the Georgia line and the Savannah River, about 100 miles of the State and I was interested several days ago in the testimony over here, I have not read it, only what I saw reported in the papers, the testimony of the Farm Bureau Federation. Mr. Chairman, I am a member of the Farm Bureau, and have been for a number of years and also of the National Grange, and at my local meetings at the grassroots level in Greenwood County, S. C., I have never heard this question discussed of reciprocal trade, so, therefore, I questioned it—maybe I should say the advisability of the national head of the Farm Bureau from another section of the country coming up here, pretending to represent the farmers of the whole country.

However, I do think the State president of the Farm Bureau in South Carolina goes along with that. However, I have not received any single letter from the Farm Bureau or the Grange on reciprocal trade. My own personal viewpoint is this:

Living on the farm, never lived anywhere else except Route 1, Route 4, Greenwood, S. C., I no longer grow cotton, Senator, on my farm. Why? I can no longer make any profit growing cotton. I have gone into the cattle business. Before reciprocal trade in 1934 we grew cotton.

(Discussion was continued off the record.)

Mr. DORN. What I was starting to say, Mr. Chairman, is that in 1933, the year immediately prior to the adoption of the reciprocal trade agreements, we exported 8,300,000 bales of raw cotton from the United States, 60 percent of the crop of that year. Now the farmers were led to believe this was a high-sounding phrase, reciprocal trade.

We thought we would get to sell maybe even more cotton abroad than the 8 million raw cotton but lo and behold, in 1952, and I got these statistics from the Bureau of the Census and I think the Department of Agriculture would back us up—we exported only 2,800,000 bales in 1952. It is true that we hope it will be more this year or was more last year, but my point is this:

Who buys most of the cotton grown on the cotton farms of Georgia and South Carolina and the other States of the American Union?

Is it the Japanese? Is it the English? Is it the Germans or is it the Italians or the people in India? I submit, Mr. Chairman, it is the textile manufacturers of the United States of America.

Senator MALONE. Amen.

Mr. DORN. 70 percent of our cotton is bought by our American textile manufacturers. I heard one of the gentlemen on the floor of the House talk about John C. Calhoun and all of it went back to this low tariff. He represents the cotton-growing Delta of Mississippi. I said to him and I repeat today it is the Springs, and the Cannons of South Carolina and North Carolina and the Fall River men of Massachusetts, they are the ones who buy his cotton.

Last year Japan imported 2,400,000, only 800,000 of which was from the United States so the textile goods that they propose to bring back into the United States will be principally from cotton grown in Brazil, Mexico and other sections of the world.

How can that possibly help my people? I have quit growing cotton but the people who still grow cotton in the southeastern part of the country, Senator George; how can that be of any possible great bene-

fit to them if we lower the tariff on Japanese textiles and injure our textile industry in this country? We have injured the crowd that buys most of the cotton and I respectfully submit that to the committee.

And I want to emphasize again that a lot of these things that come from national headquarters have not been discussed at the local grass-roots level. Kind of like a letter I received last year from a large college in my district on the Bricker amendment which said:

"We unanimously oppose the Bricker amendment."

I went back home last year and I found out that didn't any of them know what it was about.

They had gotten word from New York or somewhere that they were supposed to go on record as being opposed to the Bricker amendment.

I think, sometimes, these people who come in here and testify are not quite as familiar with the farm problem and with the manufacturers in West Virginia of glassware and chemicals and things of that kind as they might be.

I do have a high regard for this committee and I feel sure you are going to thresh out this problem.

Mr. Chairman, I would like to say this: There has been a long, hard fight in the South. I cannot speak for the New England textile industry although I have always had a very sympathetic regard for their problems, it has been a long hard fight in the South to get our textile industry up to where it is today, decent wages and fine homes and nice streets, they are enjoying things today that I know of my personal knowledge they never had before, radios, TV sets, washing machines, and such things. The average textile wage is \$1.29 in South Carolina and I want to submit this, Mr. Chairman, that a lot of those homes down there are made almost rent free to the people there, their buying power is great, they do not have to pay \$100 a month for an apartment or for a home like they do around Washington.

The textile employee in my hometown is paying rent of \$5 and \$10 a month for a beautiful brick home, so he has more buying power, he buys a lot of wheat bread, he buys meat and if you are going to hurt him and hurt the textile industry of this country, you are going to hurt the cattleman, the wheat farmer, you are certainly going to hurt the cotton farmer and I say to place his standard of living, which he fought so hard for, in direct competition with slave labor and that is what it is, in Japan and in any other foreign country, then it is certainly most unfair to him.

I was in Japan, Senator George. Whose money built and revived the textile industry of Japan? It was the United States dollar, of course, and we built it up and people say, "Oh, well, we can outproduce them; we have more technology, we have more of the know-how."

Mr. Chairman, and gentleman of this committee, the textile industry of Japan is just as modern as ours. They are likewise just as skilled. Their labor is practically as efficient, and if we give them this shot in the arm, this encouragement that they want, I submit they will take over the textile export business of the world in 3 years and then they will run over here again and say we must lower the tariff again or they are going Communist. Yet we will be the ones under this bill who will give them incentive to expand their business, use more slave labor, they are already working 56, 60 hours a week at 13 cents an hour, this might be the incentive they desire to expand their workweek to 70 hours or maybe lower the wages on their people so

they can capture more of the world market. We have outlawed slave labor in the United States, we do not let things made in the prisons of the States of this Union flow in interstate commerce.

We have antitrust laws, we have a minimum-wage law, we have protected the people in this country and to throw us into direct competition, any industry in this country, with slave labor certainly I think it will hurt the whole Nation and the free world.

It will hurt not only the people of this country but we are the heart and core of the free world, if we have a depression or recession in industry in this country, it will hurt all the free world. We are the heart and core of it.

One other thing. In Pakistan, Senator, I understand that they took our money, built textile mills where there were previously none, then the minute these textile plants were constructed and in operation they placed a high tariff around the country to keep textile goods from the United States from coming in there. It is the operation of this plan or these trade agreements that I object to. Now, I am not personally opposed to reciprocal trade, of course not. I am from a section of the country that has always traditionally advocated trade, but not on a basis like this bill. There has never been anything like this before in the history of this country, take the taxpayer's dollar and develop industries abroad and that country, in turn, throw a tariff around the boundaries of that country, infant industry, protect that industry and sell some of the same products back to this country. It is ridiculous, Mr. Chairman, in my opinion, for a nation which is the largest textile-producing nation in the world, to in turn, have to agree to any kind of trade agreement where we have to buy so many textile goods.

Suppose this country could do it. I do not think we can, but suppose we could grow coffee, and then we went out with Government money given to us by Brazil and encouraged people to grow coffee and then turn around and tell Brazil we want you to take some of this coffee into your country, it would be ridiculous and I submit it is just as ridiculous to the greatest textile-manufacturing country in this world to make an agreement by which we have to buy back so much of these goods in direct competition with our own.

It was my understanding when reciprocal trade was established in the beginning, it was intended that nations with surplus commodities could sell to other nations that needed those goods and vice versa.

I think we have gone far afield. We have let internationalists creep into this proceeding and they do not represent the best interests of the United States, in many cases, but they are representing some foreign ideology which is foreign to that which made this country great.

One other point, Mr. Chairman, and that is on the continual, everlasting delegation of the power of this Congress to the President, the Supreme Court, or any other agency of the Federal Government.

It is alarming to my people, that is one reason why you had some terrific opposition to this bill in the House for the first time is because we are getting tired of surrendering the power of this great body.

I have more confidence in you Senator, than I do someone downtown that is not familiar with the problems of your State, and I think the Congress is the one to say how much power should be delegated

and we should regulate through the Tariff Commission, and put some restrictions on the President as to how far he can go.

Now that is my testimony, Mr. Chairman. I could go on, but I have business on my side of the Capitol and I want to thank you gentlemen for permitting me to come here as a layman, and give my viewpoint on this thing.

I think it is going to hurt the farmer. It is doing it.

We are losing foreign trade, we are not any better off now, I do not think, than we were some years ago and talk about the dollar shortage, I was overseas in the last war, and the foreign nations have more dollars today in my opinion by virtue of American soldiers spending money all over the world, by more tourists going abroad than ever before, by foreign aid, by mutual security, they have more dollars than they ever had before in the history of the world, that is my testimony, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Congressman.

Are there any questions? Senator Carlson.

Senator CARLSON. Mr. Chairman, the Congressman and I are both farmers in our own right and I am greatly interested in his testimony here today because I think he represents a section of the Nation that is concerned about exports, farm exports in the way of cotton. I have some problems with wheat.

Mr. DORN. Yes, sir.

Senator CARLSON. And I think it is only fair to state that on the basis of the testimony of Mr. Earl L. Butz, Assistant Secretary of Agriculture, before this committee on March 2, he made this interesting statement in regard to both of these crops and I think it ought to be made a part of the record and I quote from his testimony:

We need a further increase of exports of some of our basic crops such as cotton and wheat. During the calendar year 1954 our exports of raw cotton amounted to the equivalent of over 6 million acres of cotton. This amounts to almost one-third of the entire cotton crop harvested last year. Our exports of wheat grain and wheat flour in 1954 represented the equivalent of more than 14 million acres of wheat. This quantity of wheat exports is equivalent to 26½ percent of the total wheat acres harvested in the United States last year. For the calendar year 1954 our exports of unmanufactured tonnage of all kinds were the equivalent of almost 1 acre out of every 4 harvested. In the case of rice our 1954 exports represented more than 22 percent of the harvested acreage. In addition to these exports of raw and semiprocessed farm products, we exported sizable quantities of these same products in their manufactured form such as cotton textiles, cigarettes, macaroni, cereals and so forth.

Mr. Congressman, I am as interested in the preservation of our American market as anyone can be but I also feel that export trade in my opinion, is most important to the American farmer, and it seems to me that we ought to do everything we can to encourage it and not try to limit it completely to domestic consumption of the produce we produce.

Mr. DORN. Senator, you are exactly right, and my point there is under this—under these agreements, we haven't exported as much as we should have. We have been a little lax in making deals with these foreign countries, we should insist on them taking more cotton and more wheat. A lot of the wheat which we have exported has been given away. We are not exporting as much as we used to. In 1924 I believe, if you will check the record, we exported more bushels of wheat and we got paid for it, than we do today and I certainly agree with you that we do produce a surplus of wheat and cotton and we

would like to sell as much of it abroad as possible. It is not going to help the cotton people to put more dollars in the hands of the Japanese to turn around and buy still more cotton from Brazil and Mexico.

I think, if I remember correctly, Secretary Dulles, witnessed last year on this very thing, said this will put more dollars in the hands of the Japanese.

It subsequently did but the record will show that they increased their buying of cotton from Mexico, and the cotton acreage, Senator, of Brazil has greatly increased the last few years. I am not blaming all of this, of course, on the reciprocal trade arrangement; there are other factors. But they are increasing their acreage every year in Mexico, Egypt, Brazil, India. Where are we going to be in 10 or 15 years?

Senator, I appreciate your bringing that point up.

Senator CARLSON. I don't think there is too much disagreement between the Congressman and myself on foreign trade and the need for it. I stated to the Secretary that I thought we had been outraded, and I think the record will prove it.

Mr. DORN. I agree with you.

Senator CARLSON. That is all.

Senator MALONE. You are a kind of a breath of fresh air in this committee.

Mr. DORN. I apologize for taking so much time.

Senator MALONE. I think if you took up more time, we probably would be better off. You sound like one who is giving us his reactions, and you see where it is going. As a matter of fact, you have been abroad. I have been in most of these countries of the world except in the Kremlin and the Iron Curtain countries.

Aren't they continually increasing their acreage of both cotton and wheat, and every other kind of a crop that is adaptable to each of the countries, every year?

Mr. DORN. The record will show it is increasing at an unbelievable and a most fantastic rate. It is being encouraged by a lot of our people.

Senator, this has been one observation, and I might say I cast no reflection on the State Department or our people who are supposed to represent this country abroad, but it has been my observation that they, a lot of the time, represent the country where they are sent, instead of the United States, that they are sent over there to represent.

Senator MALONE. Mr. Dorn, as a matter of fact, it may be that we take it for granted that we have all of the know-how and the knowledge and that we are going to increase our trade, and isn't that the ambition of every country in the world, to do the same thing?

Mr. DORN. Absolutely.

Senator MALONE. The only way they can increase theirs is to raise more of the things we are trying to sell to them.

Friday, the last day we met, I put in the record a rather extensive article out of the Wall Street Journal that pointed out that in Geneva on GATT, they were bringing up against us that we were forcing the sale of these farm products, and other products, throughout the world, and we were hurting the nation where we were forcing them to take this material, and further, we were not living up to the trade agree-

ments ourselves because of the fact that we were subsidizing foreign trade.

Did you happen to see any article like that?

Mr. DORN. I don't know about the article, but I know that, to my personal knowledge, it has been going on.

Senator MALONE. That is true.

Mr. DORN. Yes, sir.

Senator MALONE. Of course, that is true, that Japan and other nations are trading with Central America, South America, and Mexico, and with other countries wherever there are no restrictions, where they can get it cheapest. That is what you meant. They are trading just like any good smart trader does, where they can get it cheaper, and they buy it there.

The only way we can compete in the world market with any of these countries is to have a two-price system, isn't it?

Mr. DORN. It looks like it, if we are going to continue with this kind of a program.

Senator MALONE. Now, you mentioned the dollar shortage. In the dollar shortage, we have tried to make that up ever since World War II by direct appropriations of billions of dollars to these nations to buy our goods. That is the theory, isn't it?

Mr. DORN. That was the idea behind it.

Senator MALONE. That comes pretty close to our installment buying here, except our installment buyers have to pay the debt finally, and they don't have to pay it.

Mr. DORN. That is right. We owe more money than all of them put together.

Senator MALONE. As a matter of fact, the national debt, plus the State and municipal debts, add up to more than the tax valuation of all the property in the United States.

Under the Tariff Commission setup, to which this regulation would revert under the 1930 law if we were not to extend the 1934 Trade Agreements Act, it leaves in the hands of the Tariff Commission the responsibility of setting the duties or tariffs on a definite principle, does it not?

Mr. DORN. Yes.

Senator MALONE. That principle is the difference in cost in this country and the chief competitive nation. Some call it fair and reasonable competition. That would give our producers here equal access to the markets of America. It would give your textile plants equal access to American markets with the Japanese plants.

So what they are trying to get is an advantage over the domestic producer; isn't that correct?

Mr. DORN. That is right.

Senator MALONE. If you lower that duty below that differential between the cost in Japan—and I agree they have our machinery, they have our know-how, they have our superintendents and people that absolutely understand the business, and the textile worker there is just as efficient as he is here after a short training—then it is really the difference between the wages there and here, plus the water transportation; isn't it?

Mr. DORN. That is right.

Senator MALONE. You are paying \$1.29 down there, and they are paying 19 cents an hour.

Mr. DORN. And in India, 9 cents an hour.

Senator MALONE. So small that it is almost indiscernible at points.

Mr. DORN. That is right.

Senator MALONE. What you would like, then, as I gather, is to leave this in the hands of an agent of Congress, such as the Tariff Commission (or another commission, if we want to reorganize the Tariff Commission and call it something else), but put it on a definite principle, so that your industry, and all industries in the United States would, have that simple protection of fair and reasonable competition?

Mr. DORN. Personally, I absolutely agree with you but I do trust the judgment of this committee to amend this bill or do whatever is necessary to rectify the injustice.

Senator MALONE. I call your attention, Mr. Dorn—and I personally appreciate your appearance here—

Mr. DORN. Thank you.

Senator MALONE. As long as this responsibility has been transferred to the State Department, that is, to the Executive, which means, for all practical purposes as we all know, the State Department—

Mr. DORN. Senator, if you will pardon me right there, I was on a television program here not long ago, about this very subject, and I was amazed to see some of the people who always advocated foreign aid admit that it was a failure, and that they who represent that State Department way of doing things and the State Department idealism, I was amazed to find, now advocate free trade—the term they use is “Less aid and more trade.”

The same crowd that have gone all over the world throwing away 50 to 100 billion dollars of the American taxpayers' money now admit that it didn't buy friends, and as a consequence of that they are now going to have free trade and less aid.

In other words, let's keep this crazy idea going until this country is bankrupt, until our industries are destroyed, and some day we will have to stand before the commissars of the U. N.—and that is what they will be if we bring Red China, and all, into the U. N.—and beg for any trade at all. That is true about everything they go into.

When relief was administered by the Salvation Army and the International Red Cross, it was well done, but when we turned it over to some of the striped-pants boys in cutaway coats, it became the most colossal blunder, and in the case of UNRRA it did more to help contribute to communism than anything else.

When they took over the military operations in Korea, they did it the same way, with the same disastrous results. That is why we had to pass a Formosan resolution this year, which I voted for.

That crowd will do the same thing in trade as they have done in military tactics and in the field of administering relief; America will be the one to suffer.

Senator MALONE. I find that they use these slogans—and I pinned the slogan of “Trade, not aid” on the Chancellor of the Exchequer, Mr. Butler, immediately after he created it in 1952. The slogan “Trade, not aid” was created by Chancellor of the Exchequer, Mr. Butler. We mouth these things. Most people don't understand that, or realize where they originate.

Mr. DORN. I understand the Marshall plan came from London, England.

Senator MALONE. There was some doubt whether Mr. Marshall knew it was in his speech. Within 90 days they took it on the second bounce over there and told us how much was going to be needed.

The Constitution of the United States, article I, section 8, puts the responsibility of fixing duties and imposts—we call them tariffs—definitely in the legislative branch.

Mr. DORN. That is exactly right.

Senator MALONE. Then we designated the Tariff Commission as the agent of Congress for a delegation of the power on the basis of the principle we have already outlined. That was done in the 1930 act. In 1934 the act took this constitutional responsibility bodily and put it in the hands of the executive, not on the basis of fair and reasonable competition, on no principle at all, but allowing him to lower any duty he wanted to lower.

For all practical purposes, it is in the hands of the State Department on the basis of any international situation, what might be considered by anybody to be the overall good to the national economy, and many other factors; is that not true?

Mr. DORN. That is true. I saw something in the papers the other day about a company in Morgantown, W. Va., entering suit in the District of Columbia court, naming the Secretary of the Treasury as the defendant. I know nothing about it, only what I read. My personal opinion is that we will hear more about this. This company will be joined by others if we continue to pass unconstitutional legislation. It will be fought out in the courts of the country and should be if we continue to delegate our powers to the Executive. It is plain in the Constitution that the Congress shall regulate trade and tariff.

Senator MALONE. We amended the Constitution of the United States in 1934 by a simple act of Congress without referring it to the States. That suit to which you refer was filed on February 28, Monday, while I was making an address on the floor, and you will find it on page 1868 of the Congressional Record of that day. I hope you will take a look at it, and I would like to hear from you further on it, sir.

Mr. DORN. Thank you, sir.

Senator MALONE. As long as the power to regulate tariffs remains in the State Department, we have the Geneva Agreement on Tariffs and Trade, making further concessions. We have the United Nations Assembly passing a resolution setting up another trade organization, and we have the proposal of the International Trade Organization which was submitted to this body and turned down. Then the State Department immediately formed the International Materials Conference, which did the same thing as the International Trade Organization.

In other words, a band of foreign countries, if they can get us to sit down in the game—and as long as it is in the hands of the executive, we are in the game—divide the markets of the world on the basis of entitlements for consumption, which can only be interpreted to mean on the basis of population. That is what we have done.

Mr. DORN. That is right.

Senator MALONE. If this act is allowed to lapse, everything remains status quo, and all the agreements already made will remain in full force and effect until and unless the President of the United States serves notice on that country for cancellation. Then in 6 months that would revert to the Tariff Commission on this basis of fair and reason-

able competition. Everything on which there is not a trade agreement reverts immediately to the Tariff Commission 1 minute after midnight June 12. And it will be done on that principle laid down by Congress, and Congress can change that principle at any time it wants to.

That is what you are in favor of happening, as I understand it.

Mr. DORN. I am in favor of that personally. As I say, I trust this committee to make any changes in this bill which the House did not do to make it more workable and fairer to certain American interests.

Senator MALONE. As long as you leave it in the hands of the State Department or the executive—

Mr. DORN. That will be difficult to do.

Senator MALONE. So long as you do that, you let these international organizations run loose, it will be difficult. The minute it reverts to the Tariff Commission on the basis of fair and reasonable competition, which principle can be changed by the Congress at any time, then all these trick organizations fall on their face.

Mr. DORN. That is right.

Senator MALONE. Isn't that where you want them to fall?

Mr. DORN. That is where I want them to fall.

Senator MALONE. I join with you, Mr. Dorn. I listened carefully to your talk about the Farm Bureau and the Grange. I live in Nevada, and a lot of my folks don't know anything about what is going on in here. In my personal opinion, if people in communities like yours and like mine actually knew the full import of what Congress is doing and the full ultimate effect, they would march on us in Washington without waiting for an election.

Mr. DORN. I rather agree with you.

The CHAIRMAN. Thank you very much.

Senator MALONE. I certainly thank you, Mr. Chairman. I want to join in the thanks to Congressman Dorn.

Mr. DORN. Thank you.

The CHAIRMAN. The next witness is Mr. O. R. Strackbein, chairman of the Nationwide Committee of Industry, Agriculture, and Labor on Import-Export Policy.

Mr. Strackbein, we welcome you, sir.

STATEMENT OF O. R. STRACKBEIN, CHAIRMAN, THE NATIONWIDE COMMITTEE OF INDUSTRY, AGRICULTURE, AND LABOR ON IMPORT-EXPORT POLICY

Mr. STRACKBEIN. Mr. Chairman, my name is O. R. Strackbein. I think you stated my connection in calling my name.

Mr. Chairman, I would like to ask, if I may, that I be allowed to read my statement without interruption, and then I shall be glad to answer any questions that might be asked.

The CHAIRMAN. You may proceed, sir.

Mr. STRACKBEIN. H. R. 1, which is the subject of this hearing, is a holdover bill from the 83d Congress before which a similar bill failed of enactment.

On June 24, 1954, the Senate voted down by a tally of 45 to 32 the bill introduced by Senator Gore of Tennessee to put into effect most of the Randall commission recommendations.

H. R. 1 is the Gore bill, slightly modified, on the threshold of its second trip into the Senate.

The Nationwide Committee of Industry, Agriculture, and Labor, of which I am the chairman, was opposed to the Gore bill and is opposed to H. R. 1.

Mr. Chairman, at the end of my testimony I would like to insert into the record the membership of the Nationwide Committee of which I am chairman.

We oppose specifically, among other things, the added powers, reaching far beyond tariff rates, that this bill would give the President. No such powers were granted in either the original Trade Agreements Act of 1934 or in any of the 8 or 9 subsequent extensions. The question arises why such greatly broadened powers should now be sought.

Here is what H. R. 1 proposes by way of enlarging the President's powers: It would clothe him with authority to enter into trade agreements containing provisions relating to tariffs, import and export quotas, customs formalities and to other matters relating to trade.

That such a proposal could be advanced seriously seems incredible. If read alongside article I, section 8 of the Constitution which places squarely on Congress both the power to regulate foreign commerce and to lay and collect duties, the virtually unbridled power over trade that H. R. 1 would bestow upon the President only reflects the disesteem in which the Constitution is held by those who shaped the bill.

But why this grasp for power?

The answer is not so far to find. The fact is that the Department of State has in the past 8 or 10 years made free to exercise powers as broad as those proposed in H. R. 1 without the approval of Congress. Some cognizance of the strong objections that have been raised against this course of usurpation no doubt accounts for the apparent contrition represented by H. R. 1. It actually carries a request for authority from Congress. However, the plea for an ex post facto ratification of past error and illegality through enactment of the present bill also represents a plea for preratification of unguided powers to be exercised by the Department of State in any new international trade organization that we might enter.

In point of time this request for very broad executive powers over tariffs and trade coincides quite closely with the current revision of GATT (the General Agreement on Tariffs and Trade) and the decision to submit only the organizational features of GATT to Congress for ratification.

Thus, it seems clear that the proposal of greatly enlarged executive powers over the regulation of our foreign commerce in H. R. 1 is no accident. This conclusion is reinforced by the State Department plan to limit any ratification powers to be exercised by this Congress in the field of international trade to ratification of the organizational features of GATT. If further confirmation of this plan is needed it will be found in the character of the caveat written into H. R. 1 in the Committee on Ways and Means of the House.

On several previous occasions the Congress added a precautionary note to the trade agreement extension bills as passed. This note was worded as follows:

The enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of the executive agreement known as the General Agreement on Tariffs and Trade.

This caveat was offered as an amendment to H. R. 1 in committee; but a substitute version was adopted as follows:

That the enactment of this Act shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreements entered into under this section.

The difference is very clear and the change that was made is very significant and should not be overlooked. That is why I am laboring the point here. It was made only after consultation with the representatives of the executive departments and advisers who principally drafted H. R. 1 in the first place.

For several months now the Department of State has drawn a distinction between the trade rules of GATT and the organizational features of that body. The trade rules represent the reason for existence of the organization that constitutes GATT. Otherwise GATT would have no functions. It would be an organization centered around a vacuum. It is the trade rules that give it body and something to do. Please note that the trade rules of GATT are not to be submitted for ratification.

The significance of the new caveat as it emerged in the committee amendment of H. R. 1, read in this light, thus takes on a new aspect. It means that the disavowal of any approval of GATT through enactment of H. R. 1 has been narrowed down to the organizational features. There is actually not even any reference to GATT. The language refers to any foreign trade agreements entered into under the authority of H. R. 1. GATT is not a trade agreement entered into under any section of H. R. 1.

Thus the caveat is meaningless even with respect to the organizational provisions of GATT. Possibly this was an oversight. But what carries much more meaning is the omission of the trade rules of GATT or the trade rules of any new trade agreement from the caveat. This omission represented a conscious sidestepping of any disavowal of the acceptance through H. R. 1 of the trade rules of GATT.

In other words, the passage of H. R. 1 would of itself carry the authority that might be exercised by the President, i. e., the State Department, in any international trade organization the organizational features of which might later be ratified by Congress.

In this way no further ratification of the powers to be exercised by such an international trade organization would be necessary. These powers would already have been conferred upon the President by H. R. 1. That is the significance of the proposed bestowal of broadened powers of the executive.

It also explains, Mr. Chairman, the coincidence between this proposed broadened power and the revision of GATT in point of time.

The effect of this divided or two-pronged approach would be to accomplish what failed so completely in 1950 through the direct frontal submission to Congress of the ITO charter. It is a matter of record that the charter of the International Trade Organization (ITO) failed to gain even a report from the House Committee on Foreign Affairs after a hearing at that time; also that the Senate Foreign

Relations Committee was not even moved to hold hearings. Thereafter the charter died unmourned and unsung.

It seems to me then that one of the very important considerations before the Senate Finance Committee right now is whether it will want in effect to preratify any trade rules that may come out of the revised GATT after the current revision is completed or to be included in any new trade agreement made in pursuance thereof. These trade rules relate to a number of fields covered by the general term "regulation of foreign commerce." Valuation is one of them; import and export quotas, another; tariff classifications yet another; most-favored-nation treatment, et cetera, still others.

These are, of course, the very core of trade regulation; and power to make trade agreements containing provisions carrying such regulatory devices would be handed over to the President in H. R. 1. Who would then regulate the foreign commerce of the United States, the Congress or the President?

So broad, indeed, are the proposed powers of H. R. 1 that the executive would not be confined in his authority to implementation of the trade rules of GATT in existing agreements. He could make other agreements and extend some of the trade rules into areas not now covered. The Japanese agreement could become an immediate vehicle for the exercise of some of the broad powers.

On the other hand, it could be argued that these powers would not be used immediately. At least any probable abuse of the powers would no doubt be strongly disavowed.

Unfortunately we have the record of past grasps of power by the State Department. Seeing how far that Department went without authorization, it leaves us without much confidence in the exercise of any restraint that the Department may now bespeak for the future.

It is said in answer to the objections to such broad grants of power that Congress can at any time revoke them. In the first place, this contention could be advanced only as a way of condoning unconstitutional action; and should therefore be condemned. In the second place, the exercise of unauthorized power in the field of international relations represents extremely unsound diplomacy. It leads inevitably to one of two results under a challenge, both bad.

In the one instance it could mean serious disruption of international relations, as would certainly result from congressional revocation of powers previously granted and exercised in making agreements with foreign powers. In the other instance it could mean coercion of Congress by force of circumstances and moral obligation, as would be the case if Congress, having previously delegated broad authority, sought to reassert its powers during a period of high tension on the grounds that the delegated powers had been abused.

Congress would have the choice on the one hand of assenting to the alienation of its authority and thus becoming impotent in a field of its constitutional responsibility or, on the other hand, of asserting its power and pulling the temple crashing down on its head. Thus to say that Congress would still be free to work its will even if it granted unconstitutional powers to the Executive in the field of foreign trade represents a deceptive lure.

Far better not to follow into such dubious paths in the first place.

There can no longer be any doubt about the intentions of the State Department. These intentions have been road tested for 10 years or

more. They are thoroughly seasoned and well established. That Department has sought and still seeks to exercise the powers of Congress in the regulation of foreign commerce, constitutionally if that is possible, but in any event. It wants to use the bait of trade as a movable adjunct of diplomacy. That is why it seeks to separate Congress from its authority. Congress stands in the way. Two masters would interfere with the effectiveness of the plan. The State Department wants only one master and it wants itself to be that master, Constitution or no Constitution. It wants free elbow room and no staying hand to restrain it or to spoil its maneuvers.

Actually the road blue-printed by that Department would lead control over our trade not only away from Congress but before long from the President himself, no less than from the State Department itself. Final power would soon be centered in an international trade organization, composed of an assembly, a council, a permanent secretariat and a staff. In that organization we would have one vote.

Not only would the responsiveness of Congress to the electorate be destroyed in this field, the responsiveness of the President would likewise fall by the wayside. In the field of trade representative government and popular sovereignty would be circumvented if not indeed subverted.

Therefore we urgently suggest that subsection (A) of section 3 of the bill be deleted.

A confirmation of the great extent of unauthorized power exercised by GATT so far as the United States is concerned, came in a recent dispatch from Geneva printed in the New York Times. This news item said that the United States was virtually assured of a special waiver of the general rules against the continuation of import quotas on agricultural products attracted by high support prices in this country.

In other words, the United States may continue its import quotas on cotton and wheat and other items under section 22 of the Agricultural Adjustment Act.

Import quotas are, of course, a means of regulating foreign commerce. The upshot is that our State Department in agreeing to GATT in 1947 agreed to a ban on import quotas, subject to GATT discretion. This represented a bypassing of Congress and a highhanded disposal of its constitutional authority. Even Congress itself could not bind any future Congress in this manner.

The fact that GATT had to grant a waiver to permit us to do what Congress has an unquestioned right to do shows what kind of an agreement the State Department committed us to. It may be observed that that Department is much bothered by the price-support program because of the import quotas which the program justifies; and would kick over the program if it dared. That this is no idle statement can be concluded from the fact that we are indeed bound against use of import quotas on industrial or nonagricultural products under GATT. To date this binding has stood up, the powers of Congress to the contrary notwithstanding.

Thus we are fast approaching the situation described above. Should Congress insist on its authority it might do so at the risk of upsetting the harmony of the free world. Chains are sometimes forged of stuff lighter than the air.

Our next objection to H. R. 1 lies in its failure to correct the process by which executive nullification of the escape clause has been carried out. The facts are well known and need not be repeated. The record is a dismal one and reflects a shocking lack of confidence in the Tariff Commission. We urge that this committee rescue the escape clause from the farcial state to which it has been forced by the Executive veto since 1951, the year in which it was enacted. This could be done by sending the Tariff Commission recommendations to Congress for final disposition instead of the White House.

There are those who even bewail the very existence of the escape clause on the ground that its very existence discourages imports. I am sure the people who give that opinion have never looked into the facts. The force of this contention may be measured by the trend of imports in a number of items that have been the subject of escape-clause investigation by the Tariff Commission.

Despite two applications to the Commission the imports of bicycles rose from 66,000 units in 1951 to 900,000 in 1954. That doesn't look like discouragement of trade to me, Mr. Chairman.

The imports of groundfish fillets have risen from 65 million pounds in 1950 to 136 million pounds in 1954, also in the face of two Tariff Commission investigations under the escape clause. And that does not look to me like the discouragement of imports.

A similar trend may be noted in the imports of tuna despite one escape clause investigation and a bill processed in Congress to put a tariff on raw tuna in 1952. Obviously the escape clause has done nothing to retard such imports.

Another failure of the escape clause is found in the Tariff Commission's interpretation of the term "industry." This interpretation has been unrealistic in the breadth of the interpretation. Many of our industries cover a multitude of diversified products. It is necessary only to mention textiles and chemicals. Hundreds of different items are covered by such industries. Profitable manufacture of some items may bear no relation to other items. Different items may be produced in different branches of the industry, by different companies. Some companies specialize in particular items. The skills of the workers may be specialized. It is no help to them to know that large companies with a more diversified production may reap a profit from the manufacture of other items, while they themselves face unemployment or curtailed workweeks.

The escape clause of 1951 was designed specifically not only to provide a remedy for ownership of industry but for the workers, against injury. The mere fact that some companies may be able to balance profits from another source against losses in a particular item is of no help to the workers engaged in the production of an item that is being hit by import competition. Nor does it help the smaller manufacturers or producers who do not enjoy broad diversification.

Senator MILLIKIN. I am somewhat familiar with the purpose of the escape clause, and I agree 100 percent with what you say.

Mr. STRACKBEIN. Thank you.

This defect should be remedied. No great difficulty is involved in clarifying the language.

We have other objections to H. R. 1, such as its 3-year extension and the ceiling of 50 percent on tariff rates, also the provision which would

provide for cutting in half of rates on any items that are imported in negligible quantities or not imported at all. The idea there seems to be that if you don't have a problem, by all means, create one.

Anyway, the objections cited above are sufficient in themselves to condemn the bill and the philosophy it represents.

I want to say this, Mr. Chairman. Senator Watkins of Utah has introduced an amendment in the nature of a substitute. I want to say it has many very good provisions in it, and I would certainly commend it to your most serious consideration.

Thank you very much.

The CHAIRMAN. Thank you very much.

Are there any questions?

Senator MALONE. Mr. Chairman.

The CHAIRMAN. Senator Malone.

Senator MALONE. What in your opinion, Mr. Strackbein—and I have watched your work with considerable satisfaction in your opposition to the destruction of domestic industries in this country—what in your opinion is the final objective of this 21-year approach, with all these trick organizations, such as GATT, the United Nations Assembly resolution, more recently setting up another international trade organization, the proposed ITO, its rejection here and then the almost immediate holding of the International Materials Conference by the State Department? They always hold us right up against the iron with seemingly one approach, the division of the markets of the United States of America with the nations of the world. What is your idea on the broad basis of it, as to the final objective in these approaches?

Mr. STRACKBEIN. I think the final objective is to place the control of our tariff policy and the regulation of our foreign commerce in the hands of an international organization. That certainly was the purpose of the charter for an international trade organization and, as I have brought out in this statement, it appears to me to continue to be the policy as exhibited in H. R. 1.

Senator MALONE. Well, if that is true, then you remember that peculiar designation that these organizations, at least one of them, used—I think most of them have referred to it—and that phrase was “entitlements for consumption,” which meant a division of consumption, (meaning markets) and production on the basis of population. If they gain control—which they have done, but which we can take away by not extending this act—but if they do gain this control, what would be the ultimate result?

Mr. STRACKBEIN. I think the result would be that the responsiveness of Congress to the electorate in this country would be destroyed, so far as its constitutional responsibility for the regulation of foreign commerce is concerned, and I think that it would mean in addition that our foreign trade would then be conducted in line with the plans or ideas that would be in the ascendancy within this international organization.

Senator MALONE. Let's assume, then, that we pass this 3-year extension and we give them the opportunity they desire. Many of our people are hundreds and thousands of miles removed from Washington, and they still have an idea that regardless of what Congress passes, at least Congress believes it is being done for their good. If these organizations already mentioned are successful, and they would be—I

think you will agree with that conclusion—if we pass the long-time extension of this bill with its provisions, what do you think would ultimately happen to the markets and the production of the United States of America.

Mr. STRACKBEIN. The plan would be to turn trade among the nations into those channels which would permit the devotion of the economic factors to the production of those products for which each area of the country was best fitted. In other words, the dedication of this organization would be to the development of free trade on the principles and the theory of comparative costs and such other aspects of the free-trade theory as are quite well known.

Senator MALONE. What you are saying, in effect, is that whenever an article can be produced cheaper in another nation and transported here cheaper than we can manufacture it here under our wage standard of living, theirs being lower in all cases, then they should be allowed to manufacture it and ship it here; isn't that what you are saying?

Mr. STRACKBEIN. Under the principles of free trade, Senator Malone, each country should devote its productive resources to the production of those items, agricultural and industrial, for which its soil and climate, skills and resources, are best fitted, and if each country did so, then there would be a basis of mutual trade among all the different countries. The trouble comes when different countries have an equal capacity or equal advantage in producing the same items, the same agricultural products, or the same industrial products. The basis for mutually beneficial trade then disappears.

Senator MALONE. That would be axiomatic, if you had free trade with other nations which, of course, you do not have because they have raised their duties and tariffs and have other restrictions. Suppose all were wiped out simultaneously, absolutely no restrictions, no fixing of prices on currency, and we all went to work. Wouldn't that mean an averaging, a leveling of the wage standard of living, and so on, throughout the world?

Mr. STRACKBEIN. It seems to me it would have that effect. It would go a long way in that direction.

Senator MALONE. How could it help doing that? We have great American investors, and I do not blame the American investor for going into Africa and into Japan and building plants, because if we adopt this—and some of them apparently think we are going to—they can use that low-cost labor with our machinery, with our superintendents and foremen, and utilize the low-cost labor and ship it here.

Let's assume that their objective is attained. To the extent it is attained, that is the extent that we would level the wages in this country if this premise that I am outlining to you is true.

Wouldn't it mean an absolute leveling of wages and living standards throughout the world?

Mr. STRACKBEIN. It would undoubtedly have that effect, but I can see where the effect might not go as far as would appear on the surface. Mind you, Senator, that the free-trade theory actually demands free migration of labor, and we don't practice that. Therefore, to that extent, the leveling down might not go as far as it would if you did have free migration of labor.

Senator MALONE. If you have free imports of the products of low-cost labor, what is there between bringing the labor here and leaving

it where it is and producing it with the same machinery and same efficiency except low water transportation?

Mr. STRACKBEIN. I think that is something that has somewhat the same effect, but does not drive as far as it would if you had free migration of labor. To that extent we are not practicing free trade.

Senator MALONE. Can you be consistent—

Mr. STRACKBEIN. We couldn't have free trade without removing the immigration barriers completely, because labor is one of the primary factors of production.

Senator MALONE. What is labor but just people? In other words, how can you consistently advocate the import of products of low-cost labor, let us say 19 cents an hour for a Japanese who will produce just as much of anything after a few weeks of training by an American, and then be against free immigration? How can you be for one and opposed to the other?

Mr. STRACKBEIN. Consistently, in theory, you cannot.

Senator MALONE. That is not altogether theory, I don't think, but I wondered what your opinion was on it. I agree with you.

Mr. STRACKBEIN. In the theory of free trade, you must have free mobility of all the factors of production, or you don't have free trade.

Senator MALONE. You have cheap water transportation between you and absolute free trade; isn't that about it?

Mr. STRACKBEIN. I don't quite follow your question.

Senator MALONE. Suppose in Cuba you have absolute free trade with any other nation, like, we will say, South Africa. Transportation of goods manufactured there to the United States is the one item you would have between you and absolute free trade; whereas, if you brought the low cost labor here, that would be absolute. That is a very small amount, is it not?

Mr. STRACKBEIN. Yes.

Senator MALONE. I followed your testimony very closely. I followed your work for the organization very closely for the last few years. Do I understand you to say that you are supporting the situation as it now exists, that is, the transfer of the constitutional responsibility of Congress to regulate foreign commerce and foreign trade and set the duties, imposts, and excises which they were doing up to the 1934 Trade Agreements Act through the Tariff Commission, an agent of Congress, on the basis of the principle of fair and reasonable competition? You were for that transfer of authority if the bill were amended in the particular instances that you outlined.

Mr. STRACKBEIN. I think you must have misunderstood the testimony, Mr. Malone.

Senator MALONE. I hope I did, but I followed it very closely. It was amendments that you suggested, the only two amendments.

Mr. STRACKBEIN. I suggested the complete elimination of paragraph A, section 3, of the bill, which would broaden the powers of the President.

Senator MALONE. I understood that.

Mr. STRACKBEIN. I also suggested that the Tariff Commission recommendations under the escape clause be sent to Congress rather than the Executive. The principal control right now exercised by the Executive over the adjustment of our tariffs lies in the escape clause; that is to say, the principal control outside of these international conferences where tariffs are actually reduced.

Senator MALONE. I don't so understand. That is the reason I am asking you these questions.

In other words, you would leave it in the hands of the State Department to continue to make the agreements, but then when an industry comes in for relief under the escape clause, when they recommend escape-clause action, that the Congress instead of the President would say whether or not it would be accepted? You would leave the authority in the State Department, which, of course, is where it is—it is all just a form that it is in the President's hands—to continue to make the agreements?

Mr. STRACKBEIN. Mr. Malone, we feel that the State Department has about exhausted what remains of any bargaining powers in our tariff rates. We do not believe that the State Department should long continue to exercise any such power. We believe that the tariff rates have already been reduced to a level where in a number of instances injury from import competition has already set in. We believe that if bargaining was justified at any time in the past, that justification has just about disappeared. We don't think there is much left to bargain with, as I have just said.

Secondly, we believe that having reduced our tariffs as far as we have, by 75 percent across the board, it becomes wrong in principle and wrong morally to try to buy a market in some foreign country for one industry at the expense of a domestic industry in this country. We think that is wrong. Insofar as this bill would give added powers in that direction, we are certainly against it, unless—and this underlies all of it—we have an escape clause that provides a real remedy.

Senator MALONE. Well, Mr. Strackbein, I understood that. However, the State Department, in my judgment, and in the judgment of many people in industry, has already exceeded that reasonableness that might have had some merit.

In other words, they have already injured the industries, as you have so ably said.

You understand that if we do not extend this act, it does not impair the trade agreements already made. They remain in full force and effect until the President himself shall have served notice of cancellation on the country with which such agreement has been made. Then in 6 months that particular trade agreement would be null and void, and that tariff would revert to the Tariff Commission.

You understand that?

Mr. STRACKBEIN. I understand that.

Senator MALONE. Then no harm would be done by the lapsing of this 1934 Trade Agreements Act, unless we want to make further trade agreements. Then if the President should make up his mind that one of them was unfair, he could simply notify that country, and within 6 months it reverts to the Tariff Commission, which would then fix the tariff on that basis of fair and reasonable competition.

Mr. STRACKBEIN. As long as we are still members of GATT, the revocation of one trade agreement does not extricate us from the same trade agreement with other countries.

Senator MALONE. Maybe we are a member of GATT and maybe we are not. There is a suit filed on the constitutionality of GATT. I guess you know that.

Mr. STRACKBEIN. Yes; I am aware of that.

Senator MALONE. It is in the Court, and that will be decided. That would extricate us from all this folly we have been in for 21 years. But why get us further in this by extending the act and allowing the State Department to make these unwise agreements? Why not allow it to lapse and let the President use his own judgment as far as cancellation of any of these agreements that have already been made is concerned, and then if we are hooked on this General Agreement on Trade and Tariffs, that has gone on at night when nobody in America knew what they were doing—you agree with that, I believe.

Mr. STRACKBEIN. I have already said that we believe the potentialities of this so-called reciprocal trades agreement has been exhausted in any case.

Senator MALONE. The potential to destroy an industry hasn't been exhausted; has it?

Mr. STRACKBEIN. The potential of gaining access to foreign markets by the process of bargaining, because we don't have much left to bargain with.

Senator MALONE. Do you think we have gained access to foreign markets through these agreements?

Mr. STRACKBEIN. I assume in some instances we have, but it is certainly very clear that other countries have in many instances nullified the effects of any concessions that they may have given us. As I have told you on a previous occasion, when I testified before your committee, I do not impute bad faith to other countries when they have thus nullified the concessions. I say that as a matter of fact by the imposition of import quotas, by requiring import licensing, by making bilateral agreements with other countries, and by imposing embargoes, and by a number of other devices, they have in fact nullified many of the concessions which they have granted us in a trade agreement.

Senator MALONE. Mr. Strackbein, as a matter of fact—

Mr. STRACKBEIN. So I would say it would be extremely difficult to establish as a fact the contention that we have actually broadened our markets in other countries through concessions negotiated under the trade agreements program.

Senator MALONE. Mr. Strackbein, isn't it a fact, and don't you know it to be a practical fact, that in almost every instance they have nullified the effect through requiring permits for exchange, permits for imports, changing the value of their currency, and in some cases absolutely raising their tariffs because there is a loophole in the General Agreement on Trades and Tariffs, which allows them to do that?

Mr. STRACKBEIN. Not having made a study of what happened in each concession, and of course that would be an extremely laborious study, I wouldn't be able to say whether they have nullified all concessions. I just wouldn't want to say that. I can say that most countries do exercise exchange control, and many of them have established the import-licensing system, and at least have had the machinery with which to nullify the concessions, and undoubtedly in many instances they nullified the concessions.

Senator MALONE. Isn't it the general conclusion of anyone who has studied it that there is a very, very small amount of imports allowed into these countries of the kind of material that they themselves manufacture or produce?

Mr. STRACKBEIN. I would say that they have been quite adept at protecting any industry or branch of agriculture that they have regarded as necessary or in the national interest essential to protect.

Senator MALONE. Knowing there will be no change in the trade agreements, that they remain exactly as they are until such time as the Executive serves notice as has been described, and that they have practically exhausted any reasonable attempt to further our own trade (and I do not agree that they have furthered it at all, and I think a closer study even than we have made would show you that they have not lived up to the agreements made), then wouldn't it be a good time to just let this Trade Agreements Act expire on June 12, 1955, and let it revert to the Tariff Commission, where there are no trade agreements, the tariffs to be on the basis of fair and reasonable competition, which merely means that the American producer would have equal access to his own market, but no advantage, and try it that way for a year, let us say?

Mr. STRACKBEIN. I would go along with the expiration of the act in June of this year, if it were specified that the rates now existing in the trade agreements became the tariff in the United States and that we move from there, that we make modifications of the tariff only on the basis of individual industries and individual branches of agriculture, and on the basis of hearings before the Tariff Commission.

Senator MALONE. Isn't that exactly what happens? In other words, if it is not extended, isn't that what happens? Of course, 50 or 60 percent—I am not able to say the exact amount of materials that are imported—have no tariff at all. Then the articles upon which there are no trade agreements revert immediately to the Tariff Commission 1 minute after midnight, June 12, and then, if in the judgment of the President of the United States and the producers in this country and the consumers in this country, who can make their own case with the President at any moment, he saw fit to notify the country with which such agreements have been made that that trade agreement shall be canceled and it is canceled, in 6 months—I am sure that is the law—it reverts to the Tariff Commission on that same basis of fair and reasonable competition. What is the matter with the principle?

Mr. STRACKBEIN. Senator Malone, I want to make it clear that the organization that I represent does not advocate any general increase in the level of the tariff. You are not saying that we do, but I just want to make it very clear, that we do not advocate any general increase in the tariff. We would not, if we could, as I have said many times, touch a button and have the tariff in general go up 10 percent or 20 percent or 30 percent or any amount at all. We believe that the tariff from this point on should be adjusted on the basis of proved need, either up or down.

Senator MALONE. That is right.

Mr. STRACKBEIN. If an exporter or importer came before the Tariff Commission and showed that a tariff was higher than necessary to prevent import injury, then the Tariff Commission could recommend an appropriate reduction in that particular rate of duty, and the tariff would thus be modified. We would have the Tariff Commission report to the Congress rather than to the President.

Senator MALONE. Isn't that exactly the law now, if you revert to the tariff law of 1930? I will read it to you. It is under section 336, "Equalization of cost of production. Change of classification of duties."

I say this, Mr. Strackbein, because you yourself have said that the Tariff Commission, when they determine an industry is injured, should be able to adjust that tariff.

Mr. STRACKBEIN. They should recommend an adjustment.

Senator MALONE. Recommend the adjustment. That is all this law requires. I will read it—

Mr. STRACKBEIN. I am familiar with it.

Senator MALONE. I will read it in the record.

Mr. STRACKBEIN. It provides for recommendation to the President.

Senator MALONE. But the President, under the Tariff Act, allows it to go in 98 percent of the instances. This is a different thing that we are talking about.

Mr. STRACKBEIN. I know it is not the escape clause. It is section 336.

Senator MALONE. It is a different thing entirely than the so-called 1934 Trade Agreements Act, because that we know is in the hands of the State Department to do as they please, which they have done.

I will read this law so there can be no misunderstanding.

CHANGE OF CLASSIFICATION OF DUTIES

In order to put into force and effect the policy of Congress by this Act intended, the Commission first upon the request of the President or (2) upon the resolution of either or both Houses of Congress or (3) upon its own motion or (4) when in the judgment of the Commission there is good and sufficient reason therefor on application of any interested party, shall investigate the differences in the cost of production of any domestic article and of any like or similar foreign article—

Then I find this is deleted from this section.

But it goes on to say:

The Commission shall report to the President the results of the investigation, its findings with respect to the difference in cost, and if the costs are—the reasonable costs, that is what it goes on to describe—

are higher or lower than in the chief competing country, then they can recommend a raise or decrease in the tariffs.

Isn't that exactly what your people would like to see?

Mr. STRACKBEIN. No.

Senator MALONE. What would they like to see?

Mr. STRACKBEIN. We would like to substitute for the differences in cost of production certain criteria of import injury. We do not believe that the cost of production approach is the most practical or even the most workable.

Senator MALONE. What would you substitute?

Mr. STRACKBEIN. We would substitute certain criteria of import injury, because those elements of injury or factors of injury cannot be mathematically measured.

Senator MALONE. This is the way this works, practically. In other words, they can set a tariff today, and if in 3 months it isn't working out, they can take it up again. It is like fixing a freight rate. It may be too high or too low. After 6 months everybody knows whether

it is wrong or not. Then they can take it up again. It is a cut and dried proposition. That is why it is flexible in this act.

Mr. STRACKBEIN. The trouble with the cost-of-production approach is that it is extremely difficult to find the cost of production for a given item. Take a hat. Many manufacturers have different costs. You finally come out with an average cost of production in the principle manufacturing centers. That is actually a fictitious figure, because it is an average. Some are above that and some below. It is still more difficult when you consider the fact that the imports of hats come from a number of different countries; that we have to obtain the cost of production in the different countries, to match against our own costs, and then to find the difference.

So, if I may just develop this a little bit—

Senator MALONE. I would like you to do that.

Mr. STRACKBEIN. We feel the thing that really counts is the competitive effect of the imports. If it causes unemployment, if it upsets the market, if it breaks the price level, if it causes a decline in output and things of that kind, that is what we are concerned about. Those are the symptoms that we want to look at.

Senator MALONE. Then, Mr. Strackbein, I would merely say to you that that would be the evidence to come before the Tariff Commission.

Mr. STRACKBEIN. That is correct.

Senator MALONE. And that is the law at the present time, if we reverted to it.

What I would like to say to you again is this: When they manipulate their foreign costs, which they do, they subsidize their labor by various ways, and we do that here. We appropriate money for this, and that—housing, for example, you heard the testimony this morning of Mr. Dorn, where a good house rents for \$10 to \$15 a month. That is subsidization. The Tariff Commission can take those things into consideration and when you ship a hat or an automobile or anything else, you know what the landed declared cost is. You also know what the offered-for-sale price is. So if you are unable to trace down all the ways they subsidize, you have two factors there which you cannot miss very much. Then you arrive at a trial. Then in 5 or 6 months you find out whether it is causing unemployment or anything else, and then the consumer or producer can come in, either House of Congress, or the President, or the Tariff Commission, on its own motion, and consider it.

What else do you want to have? You have those things right there.

Mr. STRACKBEIN. We don't want to introduce an unnecessary instability in our tariff rates. For the sake of maximum trade which we all favor, including yourself—we don't want to introduce an unnecessary factor of instability in our tariff rates. We would like to see a tariff rate established at some appropriate level and have it remain there, so long as it still performs its proper function.

Also, I would not want to put all my faith in a tariff. I would want to add—

Senator MALONE. What would you put it in?

Mr. STRACKBEIN. To the instrumentalities of regulation of our foreign commerce, the use of import quotas.

Senator MALONE. They have that import quota in some of the amendments offered. You want to amend the basic Tariff Commission

law? That would be easy to amend, and let them take into account the import quotas. I have introduced legislation 5 or 6 times on that basis. But you have then a principle laid down by Congress, a fair and reasonable competitive principle. You don't have then, as it is now in the State Department and would be even with your two amendments, allowing them to make a trade agreement on the basis of an international political situation. That is what I understood you were here to testify against, that you didn't like that method of arriving at trade agreements.

Mr. STRACKBEIN. We do not like to have the industry of this country, the labor of this country, the agriculture of this country, used as pawns of international diplomacy. We don't think it is right.

Senator MALONE. That is exactly what it is and will be unless you let this act expire. You haven't changed it one iota.

Mr. STRACKBEIN. That is a matter of opinion.

Senator MALONE. I would like for you to show me how you change it, if you allow them to still have the authority to continue to make agreements. How would that change the principle? You take it away from them the minute this expires, so they can't make any more trade agreements.

The President can then judge how long he wants these to remain in effect. The consumers and producers have access to the President, but the principle laid down by Congress of fair and reasonable competition is the only protection industry or an investment going into an industry ever had. They know then that to change the principle, you have to introduce a bill in Congress. It comes to this committee or the Ways and Means Committee, and there has to be a case made to change that principle. In 1934 the case was made and they changed the principle from the basis of fair and reasonable competition to factors that no one ever heard of, going into trade agreements, and as long as it remains in the State Department or in the Executive, GATT, the United Nations Assembly resolution setting up a trade organization, the International Materials Conference, set up illegally most of us believe, by the State Department, the International Trade Organization, they will continue to regulate your tariffs. If you want to take it away from them, there is only one way to do that, let it expire and leave it subject to a principle, subject to the check of the Congress, by the Tariff Commission. The Congress can always check anything they do. Under this thing, Congress is bound. It doesn't come back to Congress. We get upset on a certain matter. Under the United Nations and these other organizations you are bound. You said a while ago that it may have bound us on some of these tariffs. If they have bound us on some, let's not extend it so they can continue to bind us.

Mr. STRACKBEIN. I have expressed myself as being opposed to the grant of any additional powers which would really confirm the kind of binding that has already been done by the State Department. We don't want that confirmed. We want it revoked. We want the regulation of our foreign commerce brought back into channels.

Senator MALONE. Into the Tariff Commission.

Mr. STRACKBEIN. Back into the constitutional channels where the responsibility of Congress will be exercised by Congress.

Senator MALONE. I understand you perfectly.

Mr. STRACKBEIN. If any delegation is done, it should be to an agency created by the Congress itself, to perform certain defined functions, and for the final say again to be in the hands of Congress.

Senator MALONE. I am very appreciative of your statement there, Mr. Strackbein, because the Constitution of the United States is very clear, article I, section 8, that the Congress of the United States sets the duties and excises and imposts that we call tariff. It is clear that we regulate foreign commerce, but we can assign that regulation to an agency of Congress, which we have done to the Tariff Commission, subject, of course, to any check we want to make on any material.

You want to go according to the Constitution of the United States, don't you?

Mr. STRACKBEIN. That is correct.

Senator MALONE. Thank you very much.

The CHAIRMAN. Thank you.

(The membership of the Nationwide Committee of Industry, Agriculture, and Labor on Import-Export Policy follows:)

LIST OF MEMBERS AND ASSOCIATES OF NATIONWIDE COMMITTEE OF INDUSTRY, AGRICULTURE, AND LABOR ON IMPORT-EXPORT POLICY

American National Cattlemen's Association
 National Coal Association
 United Mine Workers of America (independent)
 National Wool Growers Association
 American Tung Oil Association, AAL
 Seafarers International Union of North America (AFL)
 Wine Institute
 American Flint Glass Workers' Union of North America (AFL)
 Florida Fruit & Vegetable Association
 Tuna Research Foundation
 The Hat Institute, Inc.
 Book Manufacturers' Institute, Inc.
 Bicycle Institute of America, Inc.
 Cordage Institute
 The United States Potters Association
 Atlantic Fishermen's Union (AFL)
 American Lace Manufacturers Association, Inc.
 Soft Fiber Manufacturers' Institute
 International Photoengravers' Union of North America (AFL)
 California Walnut Growers Association
 California Almond Growers Exchange
 Pin, Clip, & Fastener Association
 Amalgamated Lace Operatives of America (independent)
 Sunkist Growers
 National Association Greenhouse Vegetable Growers
 United Wall Paper Craftsmen & Workers of North America (AFL)
 United States Wood Screw Service Bureau
 National Renderers Association
 Oregon Filbert Commission
 Basic Vegetable Products, Inc.
 American Knit Handwear Association, Inc.
 Pacific Coast Fish Producers Institute
 Cannery Workers Union of the Pacific (AFL)
 Cannery Workers & Fishermen's Union (AFL)
 Wyoming Wool Growers Association
 Carpet Institute, Inc.
 Harley-Davidson Motor Co.
 The Dow Chemical Co.
 Forstmann Woolen Co.
 John B. Stetson Co.
 Shenango Pottery Co.

Onondaga Pottery Co.

Puccinelli Packing Co.

Dairy Industry Committee:

National Cheese Institute

American Butter Institute

National Creameries Association

Milk Industry Foundation

Tariff Committee, Band Instrument Manufacturers Association

National Shrimp Canners & Packers Association

The Wall Paper Institute, Inc.

Reynolds Metals Co., Inc.

Hardwood Plywood Institute

American Glassware Association

Hardboard Association

Wm. Ainsworth & Sons, Inc.

Scientific Apparatus Makers' Association

The Associated Fishing Tackle Manufacturers

The Wool Hat Manufacturers' Association

Tile Council of America

Insulation Board Institute

Air Products, Inc., Emmaus, Pa.

Cooke Bausman, Jr., Pittsburgh

Winchester Arms Co., New Haven

Industrial Fasteners Institute

American Tunabout Association, San Diego, Calif.

International Handbag, Luggage, Belt & Novelty Workers Union (AFL)

International Brotherhood of Operative Potters (AFL)

The Diamond Match Co.

Massachusetts Fisheries Association, Inc.

Seafood Producers Association of New Bedford

California Fish Cannery Association

Mushroom Growers Cooperative Association of Pennsylvania

International Brotherhood of Bookbinders (AFL)

National Authority for the Ladies Handbag Industry

American Cyanamid Co.

American Cutlery Manufacturers Association

Synthetic Organic Chemical Manufacturers Association

United Hatters, Cap & Millinery Workers International Union (AFL)

Pass & Seymour, Inc.

Carus Chemical Co.

Hoffman-LaRoche, Inc.

Althouse Chemical Co., Inc.

Idaho Wool Growers' Association

The Phoenix Glass Co.

California Fig Institute

The CHAIRMAN. The committee will adjourn until 2 o'clock.

Mr. Howard I. Young will be the first witness.

(Whereupon, at 12:50 p. m., the committee adjourned until 2 p. m. of that same day.)

AFTERNOON SESSION

The CHAIRMAN. The meeting will come to order.

The first witness is Mr. Howard I. Young, of the American Mining Congress.

STATEMENT OF HOWARD I. YOUNG, PRESIDENT, AMERICAN MINING CONGRESS, WASHINGTON, D. C., ACCOMPANIED BY JULIAN CONOVER

The CHAIRMAN. We are glad to have you, Mr. Young. Unfortunately, I have another engagement, and my friend from Utah, Senator Bennett, will preside.

Mr. YOUNG. Mr. Chairman and members of the committee, I am Howard I. Young, president of the American Mining Congress and president of the American Zinc, Lead & Smelting Co. I am speaking on behalf of the mining congress, which represents all branches of the American mining industry.

Senator MALONE. May I interrupt at this point, Mr. Young. Mr. Julian Conover is executive secretary of your organization, is he not, and he is the one that takes care of the business all the time?

Mr. YOUNG. Yes, sir.

Senator MALONE. I wonder if it would be possible to have him to come up too, so that we can question him also.

Mr. YOUNG. Yes.

Senator BENNETT. Mr. Conover, will you come forward, please?

Mr. YOUNG. First, Mr. Chairman, let me say that I am very appreciative of the opportunity of appearing before your committee to present to you some of the problems of the American mining industry.

The mining industry is one of the Nation's most basic industries. It is the very cornerstone of our great industrial system which we dare not weaken through the pursuit of unsound national economic policies. Upon it we must rely to provide most of the mineral and metal raw materials and solid fuels required to operate our other major industries, including our great metal-working industries, our chemical industry, our transportation industry, and the industries vital to our national defense.

So important is the mining industry to our national security that the Government has set "mobilization bases" as minimum going production rates below which it is considered that our national security may be put in jeopardy.

The American mining industry as a whole normally provides direct employment for some 600,000 workers, and many times this number indirectly. The very economic existence of many mining communities depends almost entirely upon local mining operations, and any sharp curtailment or shutdown of these, as has been the case in the past few years with respect to many lead-zinc, coal, fluorspar, and other mines, means great hardships not only for the miners and their families but also for the people generally of those communities.

It is, therefore, imperative that we maintain a sound and healthy mining industry upon which we can continue to depend to supply the vast majority of basic raw materials essential to our continued peacetime industrial progress as well as to our national security.

My discussion is directed to the adverse effects the trade agreements program has had on the domestic mining industry.

The general position taken by the American Mining Congress with respect to foreign trade agreements is set forth in the following statement, which I will not take the time to read. This policy statement was adopted at our annual convention in San Francisco last September, which was attended by over 7,500 mining leaders from all parts of the country and was ratified by our board of directors on November 29, 1954.

We endorse the Government policy which recognizes that an adequate "mobilization base" of metal and mineral production for our national security is essential. To accomplish this our Nation must look to its domestic production and ore reserves for the major portion of its mineral supply, despite progressive increase of imports of some metals and minerals.

Experience has shown that we cannot depend on foreign ore reserves as a source of supply in an emergency, however important it may be to import some metals and minerals to supplement domestic production and to fill our stockpile with materials in which we are deficient. World political conditions, as well as hazards of possible air and submarine warfare, support this conclusion.

We recommend, therefore, that Congress exercise its authority over tariffs to be administered for the welfare of the American people and provide reasonable tariff protection. In this connection we commend the United States Tariff Commission for its careful study and complete report to the Congress as well as its recommendations to the President on the industry's application for increased lead and zinc duties.

We commend the members of the United States Congress who worked tirelessly to secure the approval of the Tariff Commission's recommendation. It is regrettable that the President did not see fit to accept the Commission's recommendations. His alternative program, while having certain desirable features, is at best a stopgap solution and does not offer any real long-range cure to the problem of the domestic mining industry.

We favor the enactment of an excise tax on imports of lead and zinc, as well as other metals and minerals with similar problems, which may be suspended whenever prices are at an economic level that will permit the domestic mining industry to maintain an adequate "mobilization base" for national security.

Since the executive department of the Government has not seen fit over the past years to adhere to the purposes of the escape-clause and peril-point provisions of the Trade Agreements Act, we favor removing the authority of the executive department to act on the Tariff Commission's recommendations and favor the placing of such responsibility for approving or disapproving the recommendations in the hands of the Congress where the constitutional authority rests. We also favor allowing the Trade Agreements Act of 1934, as extended, to expire on June 12, 1955.

The mining industry of the United States is deeply concerned over the legislation proposed in bill H. R. 1 because certain of its provisions threaten to weaken further one of our most vital industries. We think that the Trade Agreements Act of 1934, as extended, should be allowed to lapse when it expires on June 12 of this year.

If, however, Congress should decide to approve an extension of the President's authority to enter into trade agreements, we urge that you add certain strengthening amendments to the bill to protect our national security and to lessen injury to domestic producers and labor.

I. The escape clause: We recommend retention of the escape clause requiring investigation by the Tariff Commission of applications for relief, along with remedial measures, in cases in which trade agreement concessions cause or threaten serious injury. We urge that the authority for approving or rejecting the recommendations of the Tariff Commission be transferred from the executive department to Congress, where the authority to establish tariffs is placed by the Constitution.

We think that the power to reject the Tariff Commission's carefully considered and impartial recommendations for redress, after it has found by thorough investigation that a given industry has been injured by excessive imports, is too great an authority to be left under the control of executive departments, such as the Department of State, which are not directly accountable to the people as is the Congress. Such authority includes the power of life or death over important sectors of American industry. The original intent of the escape clause, which was to alleviate and prevent injury to domestic producers and workers, has been virtually nullified through Executive disregard of recommendations by the Tariff Commission.

A provision requiring congressional approval or disapproval of the Tariff Commission's recommendations under the escape clause will

not only insure proper concern for domestic producers throughout the process of adjusting tariff rates but also help to restore the orderly processes of democratic government.

The American mining industry is painfully aware of the failure of the escape clause to provide in most cases the relief that it was intended to give. A case in point is that of the lead-zinc industry, which in the fall of 1953 petitioned for escape-clause relief. This action followed the statements of three members of the Cabinet before the House Ways and Means Committee earlier that year, that relief could be accorded the lead-zinc mining industry through the escape clause.

The Tariff Commission, after an exhaustive study of the domestic lead-zinc mining industry under the escape-clause provision, last year unanimously found that as a result of trade-agreement concessions increased imports of lead and zinc metal and ores were causing serious injury to the domestic industry. Five of the six Commissioners recommended that the tariff duties be increased to the maximum rates permitted under the law, namely, 50 percent above the rates existing on January 1, 1945. A sixth Commissioner recommended that the duties be increased to the rates in effect in 1930.

Yet the President chose not to follow the recommendations of the Tariff Commission. Instead, he ordered the adoption of an expanded stockpile program with purchases of lead and zinc from domestic mine output as a means of bringing relief to the industry. In so doing, he recognized that the domestic lead-zinc mining industry is essential to our national security and that relief of some kind was necessary to keep it from becoming too weakened as a result of excessive imports, which had driven prices of lead and zinc down to ruinous levels and forced many mines to close down.

Although this stockpiling program has brought temporary relief to the lead-zinc industry, it has not resulted in the opening of any appreciable number of the mines shut down, nor reemployment of the idled workers. Moreover, such a program provides no incentive for increased exploration or continued development of lead-zinc mines. Without a stable and continuing Government policy, such as acceptance of the Tariff Commission's recommendations would have provided, it is not possible to maintain a strong domestic lead-zinc mining industry, which is so essential as part of our defense mobilization base.

We firmly think that in any issue of such vital importance the carefully considered recommendations of the Tariff Commission should be submitted direct to the Congress and should not be subject to veto by the executive departments.

Before leaving this subject, I should like to invite your attention to the very comprehensive report of the Tariff Commission on its investigation of lead and zinc, submitted to this committee in April of last year, pursuant to a resolution by your committee calling for such an investigation. This report brings out clearly the depressed condition of this important industry, for which an adequate measure of legislative relief should be provided.

II. Peril point: We also think that in the case of peril points, final responsibility for passing on the Tariff Commission recommendations should be placed in the hands of Congress.

III. Strategic and critical minerals: Reductions of duties on strategic and critical minerals have proved serious deterrents to domestic mine production of these materials. The American Mining Congress

has repeatedly advocated the exclusion of strategic and critical minerals from further duty reductions and we now urge that a policy be established under which duties on these minerals will be fixed through studies by the Tariff Commission to determine the rate needed in each case to maintain a healthy, going mining industry.

Under present conditions the existing rates of duty on many strategic and critical minerals are entirely inadequate. Tariffs which provided a reasonable degree of protection in 1930 have been lowered, under trade agreements, and their effectiveness still further reduced as a result of our increased production costs. If we are to maintain a domestic mining industry capable of producing these materials, further duty reductions must stop and higher rates must be established in order to offset in some measure the sharp rise in costs of materials, wages, and fringe benefits that has occurred in the United States.

Those strategic and critical minerals and metals which are not produced in this country in significant quantities are generally duty free under the present Tariff Act and would not be affected by this recommendation. But important strategic and critical minerals and metals such as fluorspar, tungsten, and mercury are normally produced in substantial quantities within the United States, and with the aid of reasonable tariff protection our own mines can supply an important part of our requirements.

IV. Foreign residual oil: In the interest of saving time, the position of the American Mining Congress with respect to the harm being done the coal industry by excessive imports of residual fuel oil will be presented on Wednesday by Mr. Dan T. Buckley, who will speak on behalf of the Coal Division of the Mining Congress and the National Coal Association as well as other coal associations.

In this crucial period it would be very ill-advised for the Government to adopt a national minerals policy that will weaken our domestic mining industry—which has in the past supplied most of the minerals, metals, and fuels upon which our great industrial system has been built and provided most of the sinews for our national defense—by making the domestic industry unable to compete with foreign producers who have lower production costs.

We of the Mining Congress recognize, as I have indicated above, that the United States must depend upon foreign sources for part of our supplies of many of the minerals and metals that we require, but we strongly opposed policies calculated to weaken our own mining industry and make us more dependent upon foreign supplies than necessary as this could lead to great national harm.

The American mining industry is by its very nature a matter of paramount public concern because our national security as well as our future industrial progress depend so largely upon it.

For the Government to adopt policies under which the mining industry could not compete successfully and which would compel us to depend increasingly upon foreign sources for supplies of vital minerals and metals such as copper, lead, and zinc, in which prior to World War II we were self-sufficient or virtually so, would be to place both private consumers of these products and the Government largely at the mercy of foreign producers both as to supplies and prices, particularly in time of national emergency.

We know from experience something of the consequences of such a situation. Following the outbreak of the Korean war, a number of basic raw materials grew shorter in supply until by the latter part of 1951 the Government found it necessary to divert substantial tonnages of copper and to release lead from the national stockpile, despite the sharp forced curtailment by the Government in civilian consumption of these metals; and in January 1952 the President also ordered the release of zinc from the stockpile, though this became unnecessary as the zinc-supply situation began to improve rapidly.

Foreign supplies of copper, lead, and zinc which would normally have been sent to the United States were diverted to European and other markets, where there were no price ceilings, and speculative activity in them was high, with fabulous prices paid for them. Copper sold as high as 55 cents a pound in Europe, compared with the OPS ceiling price of 24½ cents for domestically mined copper, lead for up to 27 cents a pound, compared to 19 cents, and zinc for as much as 30 cents a pound compared to 19½ under OPS ceiling. We were forced to pay a premium for foreign copper of up to 10½ cents a pound over the domestic ceiling price prior to the abandonment of ceilings in order to get the supplies we received.

The price of tin soared from around 76 cents a pound at the outbreak of the Korean war to \$1.84 a pound, and would undoubtedly have gone even higher but for the action of the head of the Reconstruction Finance Corporation in opposing such exorbitant prices. Natural rubber rose from 29 cents a pound to a peak of 87½ cents a pound, and we can only surmise how much higher it would have gone if we had not had a synthetic-rubber industry to lessen our dependence upon it. Many other strategic materials which we must import also rose very sharply in price abroad after the outbreak of the Korean war.

Top officials of the Government became quite concerned over the shortages of such mineral products as copper, lead, and zinc, from the standpoint of national defense, but no persuasion on their part was sufficient to increase substantially supplies of these sent here from abroad. Only after surpluses of lead and zinc in particular had backed up in European markets did supplies begin to flow to this country in adequate quantities.

These examples illustrate the danger involved in becoming too dependent upon foreign sources for minerals and metals. The only way to assure an adequate supply in case of emergency is to maintain a strong, active mining industry in our own country, along with our present stockpiling program. I should like to emphasize that the opening up and development of a new mine generally requires a period of 3 to 6 years, and that it would be out of the question to develop the required production after an emergency had arisen. Accordingly, we cannot urge too strongly that you establish tariff policies under which our domestic mining industry can continue to produce and to develop new ore reserves.

I have mentioned to you some of the foregoing experiences through which our country has gone in the past 10 years. These experiences are very real to me since during World War II, as Deputy Vice Chairman of the War Production Board for Metals and Minerals, I had the responsibility of helping to see that supplies of metals and minerals were adequate for the fighting of the war. Again, in 1951, dur-

ing the Korean conflict, I served for 21 months as Deputy Administrator of the Defense Materials Procurement Administration, with similar responsibilities.

The experience that I had in these positions brought home to me very clearly that lack of adequate production of these materials at home cannot only jeopardize our security, but result at times in tremendous expense both to our Government and to the consumers of the United States. The myth that low tariffs and higher imports of metals and minerals are beneficial to the consuming industries of this country utterly fails to recognize the facts, and it is my firm conviction that reasonable tariffs to protect at least a mobilization base in the metals and minerals industry is in our national self-interest.

As a result of the sharp rise in zinc imports into this country from abroad from mid-1952 onward, which drove the price down more than 50 percent from the OPS ceiling level, our domestic mine output of zinc in 1954 fell to the lowest level since 1934, when the country was near the bottom of the great economic depression of the 1930's, despite the fact that last year business and industrial activity as a whole in the United States was at the second highest level in our history, next only to the record year of 1953.

This clearly indicates the effect of low import duties, which is responsible for low prices and closing down the domestic mines and making many of our miners idle.

I thank you.

Senator BENNETT. Thank you, Mr. Young.

Senator MALONE, any questions?

Senator MALONE. I think that was a very good statement, Howard.

The whole general trend of your statement is that you think this 1934 Trade Agreements Act has had a bad effect, and is bad legislation.

Mr. YOUNG. That is true.

Senator MALONE. On page 3 you say:

We think that the Trade Agreements Act of 1934, as extended, should be allowed to lapse when it expires on June 12 of this year.

That is in accordance with the resolution passed by your organization in San Francisco on the life of this act?

Mr. YOUNG. That is true.

Senator MALONE. Now, most of these questions I will ask you are for the record, because I do know you have had a world of experience, as you outline here, in working under these commissions and committees set up for emergency during wartime.

Mr. YOUNG. That is right.

Senator MALONE. But they only call men like you in when they are in real trouble; they don't call you in very much for advice during the time they are getting into trouble. Is not that about right?

Mr. YOUNG. That is true.

Senator MALONE. I know they have had an endless supply of committees with very prominent men like yourself serving without pay, and at considerable inconvenience to many of you. And they call you in here not only for mining but every other industry. But the advice asked for, if we are to take the practical results, is very seldom followed, is that not right? They very seldom follow the advice of these committees, do they?

Mr. YOUNG. That is true of the committees that I have served upon up to this time.

Senator MALONE. Is there any reason to suppose that they might change?

Mr. YOUNG. Let's hope that they will, Senator. I don't know that they will, but let's hope that they will.

Senator MALONE. Are not the laws passed by Congress, if Congress should again take control, more reliable in your opinion, than promissory committees? That is, if we should follow the Constitution of the United States, in legislative responsibility in regulating foreign commerce through adjusting duties of tariffs, do you not think that would have a better and more encouraging effect on potential investors, not only in the mining industry, but in other industries, than the executive department having the authority of life or death over all industries at their discretion.

Mr. YOUNG. We think definitely that is the only basis that the industry can rely upon as the basis upon which to do development and future exploration of our mineral deposits.

Senator MALONE. A company such as your own, if it is continually hanging on the threat of an executive order of an executive officer, is not likely to spend the amount of money in research and exploration for new deposits that it would spend if tariff policies were on a definite principle laid down by Congress, would it?

Mr. YOUNG. That is true.

Senator MALONE. Now, to complete the record, knowing that you are just as familiar as I am with this act.

Mr. YOUNG. No; I am not as familiar with this act as you are, Senator.

Senator MALONE. Well, I think you understand it, because your experience points to that fact. Now, in the first place, if we do not extend this act, then the responsibility does revert to the Tariff Commission, the regulation of all tariffs and duties that are not already under a Trade Agreements Act; is that true, sir?

Mr. YOUNG. That is my understanding.

Senator MALONE. I think you can conclude that that is true. Now, such duties or tariffs, where there has been a definite trade agreement made, remain in full force and effect even after the expiration of the 1934 Trade Agreements Act if it is allowed to expire at midnight on June 12 of this year, until such time as the President, the Executive, shall notify the country with which such trade agreement has been made of cancellation, that is true; isn't it?

Mr. YOUNG. That is my understanding.

Senator MALONE. Then, unless it is desired to make more trade agreements through the State Department and the executive or through the General Agreement on Tariffs and Trade at Geneva, or through the United Nations Assembly, which has recently passed a resolution creating another all-inclusive trade organization, or under the International Materials Conference set up by the State Department after the demise of the International Trade Organization, which this Congress refused to accept, unless it is intended to make future agreements or allow these particular organizations to make them, it isn't necessary to extend the act; is it?

Mr. YOUNG. I don't see that it is. It is my understanding that if the act were to expire that the Tariff Commission, when it becomes necessary, either on the request of the domestic industry, or on the request of someone who wanted to import some material in here, would make a complete investigation on that particular products, and they would make their recommendations for suitable changes in tariff rates.

Senator MALONE. I think as the Tariff Act reads now that the Tariff Commission recommends to the President that the difference in cost of products of an article here and in the chief competitive nation in cost be the tariff. That part of it has never been questioned, until the 1934 Trade Agreements Act was passed, which took the Tariff Commission out of play entirely except as an advisory body.

The Tariff Commission could then adjust the tariffs on a flexible basis as laid down in section 336 of the 1930 Tariff Act, and determine that difference in cost, and recommend that that be the tariff.

Mr. YOUNG. That is right.

Senator MALONE. Now, if the President then saw fit—and the consumers and producers of the Nation have access to the President—if he should decide that any trade agreements should be cancelled, then within 6 months that product or products go back to the Tariff Commission, on the same basis; isn't that true?

Mr. YOUNG. That is right.

Senator MALONE. Then isn't what you want what we already have under the 1930 Tariff Act, to determine these duties or tariffs on a basis of fair and reasonable competition on a flexible basis, and as the act itself points out, either the President or either House of Congress, or upon their own motion—that is, the Tariff Commission—or upon the request of any interested party, the Tariff Commission can hold such a hearing at any time and determine that difference and recommend that be the tariff.

That is the principle, and the principle laid down definitely by Congress in this act, is on a differential of cost basis. Isn't that what you want in your organization?

Mr. YOUNG. That is right, just a fair tariff which will take care of that differential.

Senator MALONE. Well, you see no hardship worked on anyone in determining it on that basis, so that it gives the American producer and American workman equal access to their own markets.

Mr. YOUNG. I do not.

Senator MALONE. Then what do you think it means by transferring the responsibility to the Executive so that he could include consideration of political situations, international political situations, a proposed change in the tariff to help the Allies import more goods here or our own over-all economy—can it mean anything except reducing one industry here through imports, additional imports, by lowering the duty and trying thereby to increase the sales abroad of some other commodity? Could it mean anything else?

Mr. YOUNG. You mean the type of trade agreements that we have had heretofore?

Senator MALONE. Yes; that is right.

Mr. YOUNG. Well, after the Reciprocal Trade Act was originally brought up during Cordell Hull's administration as Secretary of

State, it never functioned as he explained to those of us in the mining industry it would.

Senator MALONE. How did he think it would function?

Mr. YOUNG. He thought in the first place that no industry would ever be hurt, because if the trade agreements that they had made with a country were found to injure domestic industry, through the escape clause you could take your case to the Tariff Commission, and they would make the report, and then it would be adjusted and taken care of immediately.

The reason we think the bill should die—or, if the Senate decides it should not, that other provisions should be made—is on account of the experience that we have had under the escape clause.

Senator MALONE. What you really think is that if it is going to be extended, it should be according to the 1930 act, and when the Tariff Commission determines that a certain level of duties is necessary to give the workingman and investors in that industry equal access to the American market, that that should be subject only to Congress' approval or should automatically be their duty?

Mr. YOUNG. That is right.

Senator MALONE. That is substantially what the Tariff Act now recommends, that is, the tariff that they recommend is supposed to do just that. That is what you want?

Mr. YOUNG. That is right.

Senator MALONE. Now, you understand too that if this act expires, while these trade agreements already made will be continued in full force and effect, the State Department can make no further trade agreements; that is, we revert to the Constitution of the United States, article 1, section 8, that is, which says:

The Congress shall have power to lay and collect taxes, duties, imposts, and excises to pay the debt and provide for the common defense and general welfare of the United States.

You will remember that Lincoln said in his platform in 1860, that the duties and tariffs shall be fixed was to develop industry alike in the whole country, to develop industry in the whole country, not in just one particular part, or to shift it around at the will of a foreign-minded State Department.

It goes on to say in that same section:

To regulate commerce with foreign nations, and among the several States and with the Indian tribes.

That is the Constitution of the United States. In 1934 they amended the Constitution by a simple act of Congress and transferred that responsibility to the Executive. We have operated under that transfer ever since.

Now, I know you understand this, but for the benefit of the record I will say that this Geneva General Agreement for Tariffs and Trade, the United Nations Assembly worldwide trade organization created by resolution, and the International Trade Organization which is dormant but not dead—dormant because this Congress refused to accept it—and the International Materials Conference that we created by the State Department immediately after Congress refused to accept the International Trade Organization, all those organizations will fall of their own weight, because our markets are not in the pot. Do you understand that?

Mr. YOUNG. You mean if—

Senator MALONE. If we do not extend the act we automatically withdraw our markets for the pot.

Mr. YOUNG. Yes, that is right.

Senator MALONE. That is what you want, isn't it?

Mr. YOUNG. Definitely. The International Materials Conference that was set up following the outbreak of the Korean conflict or thereabouts, we certainly don't want any of that.

Senator MALONE. Now, again on the point—and you did explain a section of the area I covered by the question—but what I really meant by the question, when someone comes in advocating a trade agreement, that does have the effect of allowing imports to increase where the duty is decreased, and injures that particular industry under fire, there is hope that the sales of the product of another industry will increase and that will remake to that extent the industrial map of the country. Isn't that the national effect of it?

Mr. YOUNG. You mean as it was intended?

Senator MALONE. People that are for it must believe that that is the effect of it, because they are generally representing industries that would be benefited, the brokers on the waterfront that handle—they get an override on percentage, 5 or 10 percent on exports or imports—but don't produce anything.

A movement of trade either way through the ports benefit a certain people dealing only in exports and imports. When any industry hopes to be benefited by selling more of their product through increased imports of another product, can there be any other result but a rearrangement of the industrial map of the country under such a trade agreement?

Mr. YOUNG. I don't think so.

Senator MALONE. In other words, this mystical effect that they are supposed to get through lowering the tariffs on, say, zinc and lead—simply benefits some other nation or industry. I estimate that 90 percent of the zinc and lead miners are on the streets or headed that way. If you have a different estimate, I would be glad to get it in the record. All of them in certain areas.

Mr. YOUNG. We think about 50 percent are on the streets. And the reason that there aren't 90 percent is that there are a lot of mines that are continuing to run today and mining high-grade ore at a loss in order to keep their mines drained and in good physical condition, and as much of their organization together as they can, in the hope that something is going to be done to give the mining industry new life, so that they can resume in a normal way the development that they should do, because mining is an extractive, exhaustive industry. You have got to continue to develop, or you are going to have a bunch of mines down.

You take our company, right today we operate a number of mines. We shut down some of them for a short period. Even so, the cost of pumping in shutting down is so great that we can go in and high-grade and lose less money than we would by pumping the water out, and we give employment to men and don't lose as much as by shutting down.

Senator MALONE. Then the 90 percent that I estimated are on the way out.

Mr. YOUNG. That is right, when you take into account the mines not making the return that they must make if they are going to continue to perpetuate the industry and keep the industry in a healthy condition.

Senator MALONE. I am glad you brought up that subject, because very few understand it.

I used to say about Mr. Ickes, former Secretary of the Interior, that from some of the talks he made about saving our materials and importing from foreign countries he must think that the way you get the minerals is to wait until the morning you need them and then hook up a couple of broncos to the buckboard and go up with a hay knife on the side of the hill and cut off what you want.

As a matter of fact, you as a practical mining man have outlined a problem that is little known, and that is that a mine operating under a fair and reasonable tariff—competitive tariff—looking ahead, is always developing new sources, even entirely disconnected from the present mine.

But they can only spend that money when they have reasonable assurance under a principle adopted by the Congress that they can remain in business. If they are forced to lose money under one of these trade agreements, oftentimes they can prolong the life of the mine and lose less by operating it than they would by shutting down and trying to keep the water pumped out, all the time hoping that an enlightened Congress might sometime go back to a principle under which they can operate; isn't that right, Mr. Young?

Mr. YOUNG. That is correct. That is exactly the theory on which we are going today.

Senator MALONE. That is what I understand. Several of the people that I know have come to my office with the same problem. Now, there are certain other mines that through high-grading, as you call it, or gutting the mine, getting out only the highest grade ore, can prolong the life and break even, or make a little money, until the high grade is gone.

Mr. YOUNG. That is right.

Senator MALONE. But then the lower grades that you passed up and would mine on a profitable basis along with the high grade by keeping the mill heads at a certain percentage if you were going to be a permanent operation, what becomes of that low-grade ore that is passed over, then, and perhaps covered with water, or refuse dumped.

Mr. YOUNG. Well, in a lot of cases you pull all your equipment and let the mine fill with water. There will never be any attempt to mine that unless a situation develops where the Government comes out with a premium, or some other basis, and pays the operator for reconditioning the mine and selling it at a price high enough—at a price which is much higher than the normal market—high enough to justify reconditioning the property.

Senator MALONE. To do it in that manner when it is necessary is the most expensive way it can possibly be done?

Mr. YOUNG. Absolutely. And not only that, Senator, but if you have a mine that you are operating on the basis of the average mineral content that your drilling has indicated, and you are not doing high-grading, normally in most mines you will be plowing back a part of that money that you are getting out of the normal operation and thus extending the life of the mine quite materially.

Senator MALONE. That is true beyond any doubt. Now, in one of these mines that you have high-graded, allowed the water to come in the mine and allowed the timbers to deteriorate, how long does it take to put that back into operation, even if you spend all the Government money necessary?

Mr. YOUNG. Well, if you allow it to fill—just as an example, there were some mines being brought back during 1950, we made the contracts here to recondition the property and bring them back into production.

These mines will be in production the latter part of this year, or the early part of 1956. In other words, that is 3 to 4 years, if you have a large opening, that is, where you use timber. If you have a large opening that doesn't require timber, it will take you all the way from a minimum of a year to a maximum of a year and a half, but where you have to retimber it will take you from 3 to 4 years.

Senator MALONE. In other words, what we are generally doing when we operate in that manner is preparing for the next war, not the one that is underway when we start doing it?

Mr. YOUNG. That is right.

Senator MALONE. Now, Mr. Young, when a situation exists like it does under the 1934 Trade Agreements Act, where the decision is up to one man—and as we know, practically it has been under the State Department, that has its eyes on Europe and Asia and Africa, and on foreign relations with those nations, and not on the United States—and they can make that decision of life or death through the making of a trade agreement at any time they want to, what does it do to a potential investor in that industry? Does it encourage him?

Mr. YOUNG. Well, I can tell you what it does to companies such as ours.

Your rate of trying to develop new ore resources is materially retarded, No. 1. No. 2, when you have indicated a body of ore that requires a large capital expenditure, very often if you have a condition such as we have today your board of directors will say, "Well, now, we just won't do that now; let's wait and see where we are going to get the protection that is needed in order that we can compete with the other countries that the material can come from."

You take as an example, in our own industry, the tariff that was effective in 1934—let's take 1945. In 1945—by 1954 it had been reduced 50 percent from 1945, and the cost of our labor is 77 percent above what it was in 1945. Therefore, we have a very serious problem if we are to go ahead and do the job.

Furthermore, we are right now—we started this a couple of years ago—we are sinking a shaft on a place where we found an ore body in 1950, and it is costing us more to sink that shaft of 900 feet and equip that mine to produce today than it cost us in 1914 for a 2,500-ton mill, a shaft into the ore body, the entire amount of development required underground, and a camp that would take care of 350 people. So that your capital costs today are so great that you just stop, and look, and listen, when you have a job to do in the zinc industry.

Senator MALONE. Now, you take the tariff that you had in 1945, and the inflation that has taken place since, practically 2 to 1—say there has been 40-percent inflation since that time, which is very conservative—isn't the effect of that extra 40-percent inflation on a fixed tariff

such as you had, or did have under the 1930 Trade Agreements Act, on lead and zinc, isn't the inflation of 40 percent tantamount to lowering of that fixed tariff 40 percent?

Mr. YOUNG. That is true, excepting—there is just one exception, Senator, and that is that in some mines the improved mechanization has helped you to offset some of that.

Senator MALONE. But you would have the improved mechanization anyway, so that it amounts up to the same thing.

Mr. YOUNG. That is right.

Senator MALONE. The only way we have stayed in business in a lot of cases is by improving the method and getting a greater yield for a day's labor. Isn't that true?

Mr. YOUNG. That is true.

Senator MALONE. But the fact does remain that if you have an inflationary spiral of 40 percent on any fixed tariff of so much per pound or so much per ton, it has the effect of lowering that tariff 40 percent?

Mr. YOUNG. That is right.

Senator MALONE. Then when you put 50 percent on top of that, now asking for 15 percent more, it really puts it out of business, does it not?

Mr. YOUNG. Definitely. They have cut us so low now that the 15 percent would just—well, if you had that kind of a policy there would be no incentive at all to try to develop new mines unless you would find an unusually rich one, when you would mine out the ore you had indicated and call it a day.

Senator MALONE. As a matter of fact, it depresses some of us to see what is happening. In one great company in the West, a decision was made in a financial center just a couple of days ago that instead of putting in money to rehabilitate it and try to pull it out, they would not do it, they would do just what you said a while ago, close it down until some future time when the Congress of the United States might get its feet on the ground and adopt a policy upon which an investor could operate.

This just happened to be particularly close to me, because I knew all the people connected with it, and they have lost their life's work and savings.

So the people that already have money invested in these things, when the Trade Act was adopted in 1934, or even later, when they still hoped that Congress might adopt a principle upon which they could depend, are the only people spending money to save their capital. Isn't that just about true, Mr. Young? There is no new capital coming in, no new men who have not already invested in this zinc business, is there?

Mr. YOUNG. No. What you have through your depletion and depreciation, and applying that back, that is the only new money you get in our industry.

Senator MALONE. What is happening—isn't this true in all these industries affected such as yours—the people in the industries are trying to save themselves, they are trying to save their own investments that they already have in them?

Mr. YOUNG. Quite true. But of course, I heard Billy Graham yesterday talk on faith, and I still have faith that our Congress is going to do what is necessary to preserve the mining industry of this country.

Senator MALONE. So do I, but Congress is destroying the faith.

Mr. YOUNG. That is the way I feel about it.

Senator MALONE. So do I, Mr. Young. And I think you have done a great service by coming before us today, because your heart's blood is in this industry.

There are thousands of men like you who have their heart's blood in some industry needing a duty to even the wage standard of living here and abroad, 5,000 of them, and if they would just come 1-by-1 like you and tell what is in their hearts, I think Congress would have sense enough to let this act expire yet and return to the principle of fair and reasonable competition.

The way it is, I can't tell you, I just have hopes like you do.

I was very much interested in what you said about the foreign price of these metals as compared to domestic price. I know you and your people sat on these committees, trying to hold the prices reasonable in this country, and the Congress was dishing out billions of dollars to Europe, and they were using the money to outbid us for the same metal in the foreign market. That is about right, isn't it?

Mr. YOUNG. That is right.

Senator MALONE. Maybe that is another place Congress will get their feet on the ground sometime and stop paying out money without a quid pro quo. But I don't have quite as much hope as I do on this one.

The synthetic rubber, of course, is an example. If we had not had the synthetic rubber, we would have gone to a dollar a pound again without any doubt, and would probably be paying through the nose right now to England.

Mr. YOUNG. Well, we have a situation right today, and you and the other members of the committee have seen, within the last 3 or 4 weeks, where the price of foreign copper has gone above 40 cents. That means that no foreign copper is coming in here, it has even been necessary to put restrictions on the exporting of copper scrap from this country over there.

In this country, the producers of these metals want to keep the industry on as stable a basis as possible, and this price here is still not far from the 30-cent level that has prevailed for a long time. I think it went up to 33 cents.

Senator MALONE. I think 33 or 34. We give the European nations the money to bid against us for it in the market. As long as we have free trade on copper, no new capital except Government money will go into the business in this country.

Mr. YOUNG. Look at the price we had to pay for mercury. We closed down all our mercury properties here following World War II, because there was such a surplus of world mercury.

Senator MALONE. Well, isn't that the case in all of these materials? Isn't that the history of foreign imports—they take all the traffic will bear? It is like a gasoline war, with a gasoline station on each corner; when one of them went out of business, you paid through the nose to the one that survived. Isn't that what happens on imports?

Mr. YOUNG. That is right.

Senator MALONE. We have free trade on copper. They can balance foreign production against domestic production, and no new money will go in copper production in this country, no new investment, and no new companies, as long as you have that situation.

Mr. YOUNG. Unless they have the thing we got during the Korean war, a controlled price.

Senator MALONE. Yes; and that is no foundation for new investment.

Mr. Young, I will not prolong this matter as far as you are concerned. I think you know more about the mining industry than anybody in Congress. I want to make that clear. And I am sorry there aren't more like you coming in here. Maybe there will be more coming in.

I want to ask Mr. Conover, do you agree with the testimony of Mr. Young?

Mr. CONOVER. Yes; definitely. I have just one comment. This may not have been entirely clear. It seems to us that the authority over escape-clause recommendations should be transferred to the Congress in either case, whether the act is extended or allowed to die. Even if it is allowed to die we still have all these trade agreements on the books, and they go on until they are denounced.

Under the existing trade agreements we still have the escape-clause procedure, and it seems to us that action should be taken so that the recommendations of the Tariff Commission should definitely come to the Congress for approval, as urged by Mr. Young in his testimony.

Senator MALONE. I think we understood that was what he meant.

Now, do you agree with Mr. Young that the President and State Department, should be taken out of this through allowing the 1934 Trade Agreements Act to expire on June 12, 1955, and Congress should regulate foreign commerce through the adjustment of duties of tariffs in accordance with the Constitution?

Mr. CONOVER. Yes, sir. I think that is quite clear from our resolution.

Senator MALONE. But you do personally agree with the resolution of Mr. Young's statement fully?

Mr. CONOVER. I certainly do.

Senator MALONE. Of course, the escape clause is a delusion anyway, because the same fellow that made the trade agreement judges whether to let you escape?

Mr. CONOVER. As matters stand, that is true. That is why we ask that these recommendation be referred back to the Congress for the final say rather than—

Senator MALONE. I meant, of course, including the peril point. You understand what that is. The Tariff Commission upon request can set what they consider a tariff below which the industry would be endangered, and if they accept and make the trade agreement on that basis—which they rarely do—they make a 3-year trade agreement which is not subject to revision on any changes that may be made, like changing the value of their money in terms of the dollar, or having exchange permits or import permits that defeat the trade agreement. So that that fact alone makes the whole thing ineffective and humorous if it was not tragic. You understand how it works?

Mr. CONOVER. I do. And one of our recommendations, as you know, Senator, is that in connection with the peril point also that no trade agreement could be made making a concession below the peril point without the approval of Congress.

Senator MALONE. But if you make a 3-year agreement without some wording in the trade agreement to take cognizance of any changes by the foreign nation it is still wrong; isn't it?

Mr. CONOVER. The only remedy there is the escape clause, with the Tariff Commission's recommendations coming back to Congress.

Senator MALONE. And under the escape clause there is no escape?

Mr. CONOVER. Not as it is now. I have just one other comment. Taking your comparison of the former duties on lead and zinc specifically, and just making a rough calculation here, in the 1930's the duty of $1\frac{3}{4}$ cents on zinc, and $2\frac{1}{8}$ on lead, were roughly 35 to 45 percent of the normal price.

Senator MALONE. That was about 5 percent a pound?

Mr. CONOVER. 35 to 45 percent ad valorem duty. The existing duties are between 6 and 7 percent ad valorem. In other words our protection is only one-sixth of what it was.

Senator MALONE. And that had been brought about through inflation since the money is worth less than half of what it was then it would be at least cut in two if there hadn't been any change in the actual rate.

Mr. CONOVER. That is right.

Senator MALONE. Thank you. You have done a great service in coming before this committee.

Senator BENNETT. Thank you very much, Mr. Young, and Mr. Conover. We have no questions.

The next witness is Mr. Charles B. J. Molitor, of the American Lace Manufacturers Association.

STATEMENT OF CHARLES B. J. MOLITOR, AMERICAN LACE MANUFACTURERS ASSOCIATION, INC., AMALGAMATED LACE OPERATORS OF AMERICA

Mr. MOLITOR. Mr. Chairman, my name is Charles B. J. Molitor. I am vice president of the North American Lace Co., which company operates lace-manufacturing plants in Philadelphia, Pa., and Pawtucket, R. I. As the chairman said, I represent the American Lace Manufacturers Association, and our union as well, the Amalgamated Lace Operators of America.

For 21 years we have devoted ourselves—

Senator BENNETT. Before you begin, Mr. Molitor, is the statement you are about to read contained only in the white pages before, or going to read these editorials and resolutions which have also been handed?

Mr. MOLITOR. I have one newspaper ad here that I was going to offer for your consideration.

Senator BENNETT. When you were invited to appear you were told that as far as possible you should limit your statement to 10 minutes.

Mr. MOLITOR. That is right, sir.

Senator BENNETT. And it is obvious that you can't get through with the white section in 10 minutes.

Senator MALONE. Mr. Chairman, I know that the time is an important factor in this Congress, but I also want to impress the chairman with the fact that this question is also important, I think important enough to listen to his statement and cross-examine him on it.

Senator BENNETT. The chairman who is in the chair as a substitute will call the attention of the Senator from Nevada, as he did the witness, that the witness was asked to prepare a statement of approximately 10 minutes, and if his statement went over that time he was to be prepared to put it in the record.

Mr. MOLITOR. 10 to 15 minutes, if I remember correctly. And I think you will find that it will come well within that.

Senator BENNETT. Then you may proceed.

Mr. MOLITOR. For 21 years we have devoted ourselves to the laudable, but unobtainable objective of reducing world trade barriers. Freedom of trade, like world disarmament, has never been more impossible of achievement than it is at the present moment and for understandable reasons.

Despite our abysmal failures you are asked for 3 more years of the extension of this program and with added delegation of powers far beyond any granted by the Congress in previous history.

For 21 years, barring those of war, our industry and our workers have been continuously existing in awe of the activities of the tariff tinkers of our Department of State. How much longer must our workers be haunted by this cruel un-American specter of economic destruction?

Our little industry was one of those to suffer immeasurably almost immediately after a so-called reciprocal trade agreement with France in 1936. Our troubles were due to currency devaluation as well as tariff reductions. In 1938 our unemployment reached the astounding total of 66 percent while imports of the principal item of our American production increased 3,000 percent.

We were saved from complete annihilation by Hitler's hordes who brought about the fall of France in May 1940. With the stoppage of the tremendous influx of imports the industry prospered during War II, and for several years thereafter.

During World War II, we produced scores of millions of yards of camouflage and mosquito nettings for our Armed Forces and those of our allies. We produced all of the mosquito nettings used by our forces in World War I.

I should like to stop there and bring to the attention of the gentleman and those of us who have contributed to the defense needs of our Nation.

Here is an ad which has possibly come to your attention by those who sneer at our effort in producing war materials.

Incidentally our own company, one division, operated at 100 percent on war work for our Government, another division at 80 percent, until such time as our Government got its necessary requirements; it is not very pleasant to be sneered at by the opposition under those circumstances.

Senator BENNETT. Is it your intention, Mr. Molitor, to put this in the record?

Mr. MOLITOR. I don't know whether you wish the record cluttered with this, but I thought you should see it.

Senator BENNETT. I think that should be put in, if, since it has been presented in your oral testimony, and it would be difficult to identify it.

Without objection it will be inserted in the record at this point.

(The ad is as follows:)

[From Washington Post and Times Herald, March 7, 1955]

ARE CLAIMS OF "DEFENSE ESSENTIALITY" SWAMPING THE PRESIDENT'S TARIFF REFORM PROGRAM?

DEFENSE ESSENTIALITY

That's what the high tariff lobbies are putting their money on.

And because every American wants our country to be prepared to meet any emergency it all sounds like a pretty good argument.

But Secretary of State Dulles and Secretary of Defense Wilson, our two top Government officials responsible for defense, have gone down the line for H. R. 1, the bill to extend and reform our reciprocal trade agreements program. So now, as the Senate begins to consider the President's tariff bill, we should all take a good hard look at this "defense essentiality" line and see how much substance there is to it.

WATCH INDUSTRY STARTED IT ALL

The four domestic producers of jeweled watches began all of this. And again, just recently, one of their major executives took an ad to tell how the industry is being driven into extinction by imports from Switzerland. Let's look at a few of the very strange contentions he made.

(A) "Only 4,000 precision watchmakers are left in America."

The fact is that the United States timing industry employs 21,519 precision workers. The four jeweled watch companies are only a small part of the United States horological industry, and yet even they employ 9,754.¹

What about that 4,000 figure? The 4 jeweled watch companies employ 4,246 workers in making civilian watches, while 5,508, over 50 percent of their labor force, are now in military production. All Government authorities agree that about the same precision skills are used in both civilian and military production.

Is any part of the United States time industry more essential for defense than another? Not according to Thomas P. Pike, Assistant Secretary of Defense in Charge of Supply and Logistics, who told the Senate:

"It is * * * from a Defense Department standpoint nearly impossible to arrive at a determination that any one part of the horological industry is more essential for defense than any other part."

Do they make defense materials that no other companies can make? Not according to the Department of Defense which told the Office of Defense Mobilization the following:

"There is no item or product which is not being made or procured in some quantity outside of the jeweled-watch industry.

"There does not seem to be any part of the manufacture or assembly of mechanical time fuses that is peculiar to the jeweled watch industry."

Another important contention is this:

(B) The Swiss "already have 85 percent of the United States market."

But the fact is that United States watch manufacturers are not confined to 15 percent of the market as they would have you believe, but have 41 percent of the United States watch market according to the latest official figures.²

Here are the facts that disprove basic contentions on the defense essentiality argument used by the 4 domestic jeweled-watch companies. This rich industry (the figures for 1953—the last year available—shows that 3 of the 4 enjoyed the greatest profit margin after taxes in their histories) has certainly started something. Right now, every high tariff interest has devised some sort of theory by which they are essential. Defense essentiality is the anvil on which President Eisenhower's proposals for expanding trade are to be beaten out of shape.

¹ From U. S. Tariff Commission's Report to President, of May 21, 1954. The figures given are based on 1954 averages of employment in the 4 jeweled lever watch factories and in 14 factories producing pin-lever watches and clocks.

² From U. S. Tariff Commission's report to the President, May 1954, giving latest official figures on ratio of United States production to imports. This shows that United States factories produced 8.3 million jeweled-lever and pin-lever watches, in competition with 12.2 million imports in both categories in 1953.

WHERE WILL IT ALL END?

Riding right in on the second wave of defense essentiality is the chemical industry—particularly those who manufacture synthetic organic chemicals. They are not only against the President's very modest reform of the reciprocal trade agreements program, but, according to one of their spokesmen, also "call for the removal of (past) tariff concessions on items which have resulted in a volume of imports which threaten industrial capacity vital for defense."

What's being threatened? Why only a puny little industry made up of du Ponts, Monsanto, Dows, etc. that has grown 10 percent per year for the last 25 years. Producing \$20 billion of goods annually, they exported \$894 million during the first 9 months of 1954, while imports totaled only \$242 million.

About the vital synthetic organic chemicals for which they ask high tariffs: The domestic industry produces \$4 billion worth each year. The amount imported in 1953 was \$50 million. According to the United States Tariff Commission only \$5.8 million of these imports, or less than one-half of 1 percent, were competitive.

And now, because the getting is good, all the high tariff lobbies are riding the tide of the defense essentiality argument. Here are the arguments some industries cited in their demand for more protection:

The lace manufacturers say they make military mosquito nets, and are essential for defense.

The wool glove manufacturers say they make soldiers' gloves, and are essential for defense.

The cutlery manufacturers say they manufacture military machetes, and are essential for defense.

The tunafish producers contend that their tuna fleet is needed in time of war, and they are essential for defense.

The Lead Pencil Manufacturers Association says that pencil manufacturers are indispensable to national defense, only conceding that their product is not directly utilized for combat purposes.

Who's next?

IT SOUNDS SILLY—BUT IT'S DANGEROUS

While it may seem awfully silly, this is a very serious business. No American can, of course, afford to have a closed mind on any matter that pertains to national security. But, in viewing the problem with the objectivity that it deserves, we must be careful not to be just swept along with a defense slogan.

Britain did that—and learned the hard way. They decided to protect their optical industry so that they would not be dependent on overseas suppliers during time of war. The result, Fortune magazine reports, is that "Britain has lagged seriously behind the United States and Germany in optical development," so that, walled off by high tariffs from the stimulation of competition, the British optical industry became obsolescent and inadequate for national-defense needs.

And in taking an objective look at the defense essentiality argument we should ask ourselves to what we should gear our national preparedness—World War II or a war of the future? Obviously, another world war would be tragically different. This time the war would inevitably come right to our own country. The era of the H-bomb makes an arsenal of defense, 4,000 miles away from the battlefield, an impossible dream.

Just one H-bomb, the AEC tells us, would cause death throughout an area the size of New Jersey. In a third world war tremendous areas of our country and of our defense industry would be devastated. In a third world war the test of our defense industry will be its flexibility, its ability to adapt itself quickly to every circumstance. The idea of copying the British and building a defense industry that becomes complacent and fat behind high tariff walls is not the answer to the Nation's needs.

WORLD TRADE AND A STRONG AMERICA

Why all the concern about tariffs and trade? The President has stated: "For our own economic growth we must have continually expanding world markets; for our security we require that our allies become economically strong. Expanding trade is the only adequate solution * * *. If we fail in our trade policy, we may fail in all."

Committee on Foreign Trade Education, Inc., a bipartisan, 100 percent volunteer organization, declared before the Ways and Means Committee of the House of Representatives that the President's trade program is "the touchstone for suc-

cess in our foreign policy, stimulation of our national economy, and aid to the consumer."

The President's plan for liberalizing and expanding trade, H. R. 1, was passed a short time ago in the House of Representatives. Against the onslaught of the high tariff bloc, the bill only won out by seven votes. Now before the Senate, this attempt to give America a modern trade program faces very rough sledding.

All those who believe in the need for a tariff policy in the national interest, a tariff policy that will build up, not tear down, our anti-Communist foreign policy, should write at once to the Senate Finance Committee or to their own Senator and protest exaggerated defense essentiality arguments and endorse the President's program, H. R. 1, as written.

And every Member of Congress should be urged to support all moves that will undo the harm where we have fallen for essentiality sloganeering in the past.

COMMITTEE ON FOREIGN TRADE EDUCATION, INC., NEW YORK CITY

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Mr. MOLITOR. But our war record has not stopped the State Department from hacking away at our tariffs at every given opportunity. Meanwhile, the currencies of competing nations have been devalued repeatedly. As a case in point, when the French agreement was effective in 1936 the French franc was valued at 16 to the dollar; it is now 350.

Even before H. R. 1 was reported out of committee, the French Embassy in Washington, was clamoring for further reductions in lace tariffs. The boys at the Embassy are going to be certain that they get on the "gravy train" and get all that's coming even though they, together with British, have now approximately 45 percent of our market. Their objective, of course, is to destroy us completely with the help of our own Government. Then they can take over our market with the products of their sweatshop and child labor. Wage rates of American laceworkers are 8 times those of the French and 5 times those of the British laceworkers.

We now find lace listed in the scare sheets for both the Japanese and the Swiss agreements. A great public clamor in opposition arose when the list of articles to be negotiated with Japan was published.

Many of our industry executives and their workers quaked with fear. As if to express its utter disregard for the welfare of our own citizens, the State Department now has issued a supplemental and very extensive additional list of articles for trading with Japan.

The new Swiss agreement, of which notice to negotiate has just been issued, is but another form of international logrolling and appeasement.

The President was forced, by the very serious threat to our national security, to restore some of our tariffs on watch movements. An international incident occurred, as will always occur under such circumstances. Now that we have restored at least some ray of hope to our American watchmakers, we are about to jeopardize the jobs of the workers of some 15 industries or segments thereof; lace among others.

And this appeasement occurs, despite the fact that the Swiss Government devalued their franc by 33½ percent—from 33 cents to 23¼ cents—after having negotiated our present bilateral trade agreement with them. That devaluation, in effect, raised tariffs on all Swiss imports of American goods and reduced still further, American duties on Swiss exports to us. Of course, as has been customary, we did nothing but take it on the chin.

Often we have heard from the lips of those in our executive departments, that our escape-clause provision of this act creates instability in the minds of foreign producers—foreign producers, mind you, who are taking over our market with their sweatshop labor.

Have any of you gentlemen any idea of how much fear and trepidation has been created in the minds and hearts of our American workers and producers when these scare sheets are issued prior to trade-agreement negotiations? Is it not time that we stop scaring our workers as we have done for 21 years? Unfortunately, many of those fears have been amply justified, as witness the great parade of supplicants from both labor and management who appeared before the Committee on Ways and Means in opposition to this bill.

In current consideration of the problem of tariffs and trade, the most important factor to recognize is that the whole pattern of world trade has changed in the past 2 to 3 years. We can no longer indulge in the characterization of this program with pious platitudes. We must face the stark realities that now confront us.

As Senator Payne wisely stated this morning, we must survey this problem at the grassroots level.

The industrialized and semi-industrialized nations have immensely increased their productive potentials, many with our funds, our most modern equipment and our technical know-how. Add to that, a wage structure that is from one-third to one-fifth that existing in the United States. It is not a very promising picture.

We are now witnessing a return to international commercial rivalry akin to that which was one of the underlying factors that brought about World War I. We can find evidences already of ill will being created on the part of some nations that are losing valuable markets to the products of lower wage countries such as Japan. In this bill we find recognition of that fact in the provision in section E, intending to appease other nations by destroying American industries for the benefit of Japan.

Believe me, gentlemen, this is time for realism.

In past years, principally our smaller industries such as ours and others which of necessity require greater utilization of labor in production, have been affected by tariff reductions. That is not the case today. One need study only the appearances of opponents of H. R. 1 before the Committee on Ways and Means to learn that our largest industries are now in trouble. Let us not be intimidated into believing that if we do not open our markets still wider to the products of Japan, they will be forced to trade with Iron Curtain countries.

They will do that in any event. At this very moment, Japan is negotiating a trade treaty with Red China.

The recent election in Japan has already proven the fallacy of that hope. Premier Hatoyamas' party, which advocates trade with both Russia and Red China, has been victorious.

While our fine boys were dying in the mudholes of Korea, alongside a token force of our allies, some of our friends were carrying on "business as usual" with the enemy despite our attempts to dissuade them.

While we have opened our markets wide to the products of Great Britain, which are now destroying some of our industries, we find them merrily pursuing their trade with the Iron Curtain countries. I quote from a news article in the New York Herald Tribune of February 24, with a dateline of February 23, from Hong Kong, captioned "Britons Confirm Peking Trade Deal." The news article states:

Nine members of a 24-man British business mission to Peking returned here today and confirmed a Peking radio announcement that the group completed contracts for \$11,200,000 worth of business with China. Their prepared statement said they were convinced China offers a substantial market for British goods.

After all of our sacrifices through these years, we have obviously not convinced them to desist from trading with the enemy. Are our industries and our workers to now be called upon to make further sacrifices for the same end result?

Our great President stated in his recent letter to Congressman Martin, relative to H. R. 1: "No American industry will be placed in jeopardy by the administration of this measure."

Let me say, that I have no question whatsoever of Mr. Eisenhower's sincere intentions. But let us look at the down-to-earth practical phases of this problem. Mr. Eisenhower has more responsibility heaped upon him than possibly any executive in the world.

As a result, you gentlemen would not be delegating this power to your President, in practice. These questions are going to be determined by some economist who is seething with the tired old economic philosophy of Adam Smith, or the free trade for destruction philosophy of Karl Marx.

Let me give you a recent application of the destruction of an industry. The Japanese have been destroying the American producers of ladies' scarves through imports made by their peon labor whose wages are about one-tenth those in the United States. As a result of an escape-clause hearing, the United States Tariff Commission unanimously recommended increases in tariffs. These were denied by the President. The industry has since completely collapsed. As a matter of fact, practically the same assuring words that our President has uttered have been dinned into your ears and mine every time this program has been before Congress for renewal.

Let us not take lightly the fact that world competition has changed. We are on the threshold of a most intensive, and I might add, an ominous, competitive race for world markets. We shall lose that race to the lower wage nations. Let us not destroy our own market for our American workers and producers.

Before we rush headlong into further extension of this program, with its broad delegation of powers, let us calmly reappraise it on the basis of realism. The time for platitudes is past.

We unalterably oppose H. R. 1. The trade-agreement method of regulating our foreign trade is wrong in principle, un-American and unconstitutional in application and has been, in fact, a one-way street.

We implore Congress to recapture its constitutional powers and again assume its duties for the regulation of our foreign trade and to preserve the economic welfare of our great Nation.

The bit-by-bit destruction of our industries that has been going on in recent years under this program can do naught but destroy the diversification that has been so important to our economic health.

The future of the free world can only be assured through the maintenance of a sound, dynamic, and highly diversified economy in these great United States.

I thank you very much, sir.

Senator BENNETT. Senator Millikin.

Senator MILLIKIN. No questions.

Senator BENNETT. Senator Malone.

Senator MALONE. I think, Mr. Chairman, that Mr. Molitor has made a very valuable contribution to the information before this committee.

This statement that you have made that the act is unconstitutional, I presume you base it on the fact that a congressional act changed the Constitution of the United States by transferring the constitutional responsibility of the Congress to regulate foreign commerce and foreign trade and to set the duties and tariffs to the State Department. Is that what you had reference to?

Mr. MOLITOR. That is right, sir. And also on the advice of competent counsel. And I have also had the great pleasure of reading the statement of the great Senator from Nevada on the floor of the Senate. And on reading that I am certain it is unconstitutional, sir.

Senator MALONE. Of course, any information I have is secured from the attorneys. And you are aware that a suit has been filed by the Morgantown Glassware, in Morgantown, W. Va., against George M. Humphrey, Secretary of the Treasury of the United States, defendant, on the constitutional ground that he is collecting the wrong tariffs, that have been unlawfully changed by the State Department.

Mr. MOLITOR. Yes, sir.

Senator MALONE. And the unconstitutionality of the General Agreement on Trade and Tariffs at Geneva. Has your company answered as a friend of the court in that suit?

Mr. MOLITOR. We have not, sir. I learned something about it today. But I am quite certain that we should, and shall, as a duty.

Senator MALONE. I think if these industries—let me say, for your benefit—are injured, or face injury, or extinction, come in as friends of the court, perhaps the people of the State themselves would begin to understand more clearly the situation as it now stands entirely in the hands of the Executive, and as you so ably said, probably subject to someone's computation in a department not too well known to the President of the United States.

Mr. MOLITOR. Right, sir.

Senator MALONE. I understood you to say that the imports in your business had increased 3,000 percent, and the unemployment 66 percent.

Mr. MOLITOR. That is right, sir.

Senator MALONE. Is that a dangerous situation for your industry?

Mr. MOLITOR. Horrible. Of course, I was quoting figures to you as of 1939.

Senator MALONE. What is it today?

Mr. MOLITOR. In 1954 our unemployment was 25 percent. We are very fortunate—we have been very fortunate, I should say—that it hasn't gone beyond that, because there is a worldwide demand for lace, and our principal competition, the French manufacturers, are sold up from 6 to 9 months ahead. And I understand they get higher prices in the other markets of the world, principally because they get no competition from the domestic industry. But when the market is surfeited we shall get it all. In 1939 nine-tenths of the production of the French lace industry was exported to the United States, while 66 percent of our workers were walking the streets.

Senator MALONE. Do you think the same situation would occur in the absence of another war?

Mr. MOLITOR. Of course, sir. It is as definite as the fact that I am sitting facing you, sir. That is why I am here.

Senator MALONE. The World War saved you a couple of times.

Mr. MOLITOR. World War II saved us, sir. We tried to get help from the Department of State and the Committee for Reciprocity.

Incidentally, our first trade agreement that contained an escape clause, so-called, when we learned to distrust them, was this French agreement in which there was an escape clause making possible or permissible abrogation or bringing about a change in the tariffs in the event of a wide change in the currencies between the respective nations. Four months after the agreement was signed the French devaluated their franc, and, according to reports in the French press, were doing so for commercial advantage. And the industry was in a terrible plight. We went to the Committee for Reciprocity Information and requested a hearing under the escape-clause provision, currency escape-clause provision, and after a year and a half of deliberations and evidence so preponderant—believe me, I don't want to bore you with it, but it was so preponderant that nobody could deny it—we received a letter from the famous Henry F. Grady, then Assistant Secretary of State, in which he told us that we didn't know what we are talking about; we were not affected by imports. But he coined a new phrase, a phrase that has been used ever since, "There was a shift in consumer demand."

Senator MALONE. That shift has happened in many, many industries.

Mr. MOLITOR. In a lot of cases since then.

Senator MALONE. Now, tell us for the benefit of the record—I tried to explain it on the Senate floor and also in committee here several times, but it seems there is something wrong with my explanation: Just what effect does currency devaluation have on the imports or exports of a foreign country in relation to our own? You mentioned specifically France had devaluated their currency from 16 francs to the dollar to 350 francs to the dollar. I remember when I was over there in 1925 it was five to a dollar.

Mr. MOLITOR. That is right, five to a dollar.

Senator MALONE. And the next time I was over there it took so many that you could hardly carry enough of them to pay for a plate of ham and eggs, if you could find ham and eggs.

Mr. MOLITOR. Answering your question, it immediately reduces the price of the imports into this country. In the case of France, I have figures here showing that the value, that is the unit value of imports that are reported in pounds, the unit value dropped from 1936, the year of the agreement, from \$8 a pound down to \$2—in other words, it immediately cuts the price to pieces, in effect lowering our tariff. Conversely, it increases the tariff on imports, or the cost, if you will, on imports of American exports to the country depreciating its currency. In other words, whatever trade agreement we have written, and the currency has been devaluated after, devaluated by these nations, it completely vitiates any advantages that we obtained, if any, under the agreement. And I may add, Senator, that with the exception of Canada, I know of no reciprocal trade agreement that we have negotiated with any country where the currency has not been devaluated after the negotiations. On that score, Great Britain on October 17, 1938, signed a trade agreement that was to have been effective on January 1, 1939, and 4 days—4 days, mind you—after the agreement was signed, and before it was effective, Great Britain devaluated its currency. You could throw the advantages of that trade agreement out the window then and there.

In addition to that, every nation in the world has been setting up quotas and embargoes. Just this morning, after I left here, I checked with the British Embassy—to give you an idea of how other nations are protecting their own home industries—here we have done a lot for Great Britain, and possibly rightly so, we have been pursuing this fabulous giveaway program of our market and our jobs—let's take a look at Great Britain. In the House Ways and Means Committee I presented some evidence pointing out the fact that not only the little industries like ours—and we are small, we understand that—but our big industries are being affected.

Here is a case—and I know you are aware of this fact, because I read a speech made by you on the floor of the Senate, Senator, in which you pointed out that in Kenosha, Wis., where the Nash car is made, the plant had been operating very intermittently. Subsequently they closed down completely. I don't know whether you know it or not, but almost to the day when they closed those plants in Kenosha and threw out of work 3,000 or 4,000 Americans there appeared an ad in a metropolitan daily:

Today Nash presents a completely new and different kind of automobile, \$1,445, coastal port of entry.

Now, get this. In the same paper there is an article:

Austin to build Nash cars for the United States. Britain's Austin Motor Co., disclosed tonight an American automobile manufacturer has hired it to build American cars in England for sale only in the United States. George Harriman, deputy chairman of the Austin firm, said Nash Kelvinator Corp. has ordered 20,000 small cars worth \$26 million. The automobile will not be sold in England. Trade sources said it was the first time that a British firm has ever taken contracts to build from start to finish an American line of cars. Harriman said Austin's assembly lines in Birmingham already were rolling—and I point out to you, while the Nash workers in Kenosha were walking the streets—

already rolling out the new Nash Metropolitan, a two-seater family car—et cetera. There you have it.

Let me tell you what the quota on American automobiles going into Great Britain was for 1954. You will be amazed when I tell you that it was 150 automobiles. How do you like that? Now, if you look in the report of H. R. 1 by the majority, in which they bragged about the liberalization of the quotas that they had received from Great Britain for this great work, do you know what the quota of automobiles is for 1955 to Great Britain—and this is a combination of Canadian and American cars, now, they have combined them? All of 650. That is the kind of reciprocity we have been getting.

Senator MALONE. What is the difference in the wages in England, generally speaking, for the same type of work, and in Kenosha, Wis.?

Mr. MOLITOR. I have a schedule here, an overall schedule—I know in our industry our wages are five times what they are in Great Britain. But here is an analysis made by the American Tariff League. I don't know whether you have ever seen this, the wage gap. In answer to your question—these are the figures for the year 1953—the average factory wage—the average hourly earnings for industrial workers in the United States was \$1.78 an hour, in the United Kingdom, 47 cents.

Senator MALONE. I was generally familiar with difference in the hourly wage in the other industries you made reference to a while ago where England and France were generally allocated contracts against American companies in hydraulic and power machinery for some of the dams in the United States. But I was speaking from memory, but \$1.85 to \$1.90 an hour, as against 43 cents, I believe it is.

Mr. MOLITOR. May I add something that I think. I have been shouting it for years, but mine is only a small voice, and we are a small industry. I think one of the most important factors in this whole question of foreign trade has been currency. One of the things that has happened in the relationship—we were talking about wage gap a minute ago—as these nations devalue their currencies they widen the differentiations between American wages and their own. That is what has been going on. I will show you specifically.

Before the war and when the franc was valued at somewhere around 16 to the dollar, our wage rates were 4 times what they were in France. They are now eight. You see what I mean? As the currency devalues, the wage differentials become greater and greater. And that is what has been going on in the current years.

Senator MALONE. There are two ways of lowering effective wages. One is to lower them outright. And the other is to simply devalue the money 20 percent and maybe raise the wages 10 percent. We have been doing that for a long time here and it leaves our workmen on the little end.

Mr. MOLITOR. That is what has been happening, Senator.

Senator MALONE. Now, you say that the French and the British have been supplying about 45 percent of our market in lace?

Mr. MOLITOR. That is right. I might also add that most of the imports, French imports, are landing at 60 percent of the American selling price, so that you can see where we are headed within a very short period of time.

Senator MALONE. I thoroughly agree with you, but I want to complete the record—I hope people will look at the record. Now, these new Swiss agreements that you referred to as international logrolling, just what did you mean by that?

Mr. MOLITOR. Well, we have heard around the halls of Congress about the very iniquitous kind of tariff bills of the past, the logrolling that went on, now that same thing is going on at an international level. These fellows are taking in one another's chestnuts and creating all kinds of deals with our State Department. The Swiss agreement is an example, as I stated before. The President, after having rejected it once, by virtue of the pressure, as I understand it, of the Department of Defense, eventually changed the duty of certain watch movements and, which I am not in a position to quote in detail. But there was a great furor. And the Swiss started to do logrolling and pressuring to get something for it. They have all got the "gimmees." So now we are going to reduce tariffs on 15 industries, or segments thereof, for Switzerland, in return for having increased the watch duty.

Senator MALONE. What effect will that have on these industries here?

Mr. MOLITOR. I don't know. One of those gentlemen who is involved specifically with the Swiss situation is here, and as I understand, is going to appear later. And that agreement, of course, is against lace. I mean, we are always in the end of the parade.

Senator MALONE. Now, I understand that there can be no logrolling. Under our 1930 Tariff Act we had to learn as time went on, and no doubt there was certain logrolling—one Senator would tell another one something, and he would have no time to check—

Mr. MOLITOR. Human nature will always be the same.

Senator MALONE. But they realized that, and in 1930 cured it. They re-created the Tariff Commission as an agent of Congress and left to the Commission in the investigation and determination of the difference in cost here of production here and abroad.

Mr. MOLITOR. Of course that started in 1922, actually. The first flexible provision act started in 1922.

Senator MALONE. But it was broadened in 1930. So on their own motion, or at the invitation of the President, any interested party can get a hearing—for instance, you must have many different types of lace—they can take up any type of lace upon your request. But they only have one principle, and that is to determine the difference of cost in this country, that is, the reasonable cost, and the reasonable cost in the chief competitive nation, which might be France or England or Switzerland, or whatever it may be, and recommend that to be the tariff. Now, that, in effect, is what you are recommending that we do.

Mr. MOLITOR. In effect I would like to qualify that recommendation a little bit. No. 1, I would also like to clear the atmosphere. This morning there was a gentleman who had been denied freedom of speech and couldn't answer a question that you asked him relative to Mr. Robert Lincoln O'Brien, who was chairman of the United States Tariff Commission.

Senator MALONE. That is what they hide behind now.

Mr. MOLITOR. I think I can help to clarify that, Senator. Mr. O'Brien didn't exactly oppose the flexible provision of the Tariff Act, but he did say it was difficult to administer it. And I quite agree with him.

Why I say I would like to clarify that situation, I would like to suggest that if we are to have a flexible provision that the comparison

be made on landed duty paid cost and the American selling price, with a reasonable profit, for this reason, that it is almost impossible to obtain foreign manufacturing costs.

Now, we had an investigation, some importer had requested an investigation of the industry under the flexible provisions in 1922, it dates back that far. And they went to Europe, they went to France, and they went to Great Britain. And the commodity experts were frank enough to say that it was utterly impossible for them to get costs of production. Some of them refused to give it to them, you see.

So if you take as a basis of comparison landed cost and American selling price, and in the computation of that American selling price what the Tariff Commission determines is a reasonable profit for American goods, and then throw those recommendations of the Tariff Commission to the Congress rather than in to the Executive, then I am with you 100 percent.

Senator MALONE. Yes. Perhaps you do not know that at least four times I have introduced a bill to that effect, and the bill is now before the Senate committee. No hearings have ever been called on it. As long as this kind of a thing is before us, I hardly expect there will be, although I will do my best to bring about hearings.

I have introduced since 1948 a bill that would simply change the name of the Tariff Commission, to be exactly as it is now in personnel and call it a Foreign Trade Authority.

Mr. MOLITOR. I have read every word of it, sir, and I am in complete accord with it.

Senator MALONE. It gives the Tariff Commission a chance to consider reasonable cost here—not the highest cost or the lowest cost—and the reasonable cost as compared to the reasonable cost abroad.

If they are unable to find out what that cost is, they can take the landed declared by Customs cost and the offered-for-sale cost in this country, which is very easy to obtain.

This committee knows—the Senate personnel knows—that they do everything they can to cover up the costs there, and they use subsidies of various kinds even as we do in selling our grain on the foreign market.

But what we want to do, if we believe in the system of the differential in cost between this country and the chief competitive nation, is to determine what that fair differential is and keep the tariff adjusted to that amount.

During the next month or the next 6 months or the next 6 years, upon application the Tariff Commission can reexamine it and keep cognizant and abreast of any changes in currency valuation and anything else that will change the pattern, but that would only be a simple amendment to the existing Tariff Act, would it not?

Mr. MOLITOR. That is right.

Senator MALONE. What I understand you to testify is that you are for the Congress again assuming its responsibility under the Constitution of the United States.

Mr. MOLITOR. That is right, sir.

Senator MALONE. And do it on a principle, just as we provided in the 1930 Tariff Act, refer it to the Tariff Committee, an agency of Congress. You are not for assigning this authority and responsibility to one man, whether he be the President of the United States or the

State Department or anyone else, who can consider all the factors including international political upsets and the fancied good of the whole Nation and all these factors which no one can define.

You are against that?

Mr. MOLITOR. I am very definitely against that, Mr. Senator.

Senator MALONE. As far as Japan is concerned, I think they are doing exactly what they have to do—and I made a talk on the Senate floor on the occasion of the signing of the Japanese treaty saying they would go with China and Manchuria.

Mr. MOLITOR. What we invite them to do, too, let's get that in there too.

Senator MALONE. The treaty we signed with Japan nailed them to the cross. They have to trade with the nations adjacent to them in their area no matter who controls them.

Mr. MOLITOR. That is realism, that is right.

Senator MALONE. If we absorb everything or even a small part of what Japan produces, whether it is lace or large machinery or automobiles, and they work for 15 to 19 cents an hour or double it or treble it, they will so far outproduce us that it doesn't make sense.

Mr. MOLITOR. That we haven't a chance.

Senator MALONE. Of course, while we were passing the bill last year giving the additional billions to Europe or nations of the world under the FOA, whatever it means—we change the name of it about every year so people cannot catch up with it—the British then had a team in Moscow and Peiping determining what trade they could secure there.

I am not surprised that they are in Peiping again. I will say that it makes you break down and cry when you read those reports and then see what we are doing here.

Mr. MOLITOR. I pointed out in my presentation that they returned from Peiping and made a new deal. I am not here to criticize the British. I admire them. They have realism. I only pray to God we get some of the same.

Senator MALONE. We are the only people on earth that are not for their own Nation.

Mr. MOLITOR. That is right. I will say to you that there isn't one nation on the face of the globe that would sit in a room here and debate for a second the question of destroying an industry. That is what we are doing.

It makes my stomach turn inside out when I read some of these statements by one of the representatives of one of the great labor unions to the effect that we will give these fellows a dole and move them from here to there like so many pieces of dirt, men who have spent their livelihood and environment in their industry. We will train them to do something else. What is that something else? Please tell me. I would like to know.

Senator MALONE. That has been very vague. That, in itself, should convince everyone that that is the purpose to level our standard of living with the other nations to the extent that the duty is lowered.

You referred to the letter to Congressman Martin. I want to say I very much admire the President. He is a personal friend. I am for him.

But I do not think he is correctly informed. I think they have already hurt the industries. We heard Howard Young testify that

his company is merely holding on to some properties because it is more expensive to shut down and open up again than it is to keep going.

Mr. MOLITOR. Hoping that Congress will get some sanity.

Senator MALONE. Hoping that we will go back to a principle of regulating foreign commerce. They have already been hurt. The President has not been informed.

On February 27, 1951, I debated this matter at some length, and it was reprinted—and in this connection I ask permission to insert in the record at this time, Mr. Chairman, page 4 of this reprinted address entitled "Karl Marx on Free Trade—1848."

The CHAIRMAN. Without objection, it will be so entered.

(The statement referred to above follows:)

KARL MARX ON FREE TRADE—1848

Karl Marx, the outstanding Communist revolutionist of all time, made a very significant address more than 102 years ago on the subject of free trade before the "Democratic Club, Brussels, Belgium, January 9, 1848." He said at that time:

"In his celebrated work upon political economy, he [Ricardo, the leading economist of his time] says: 'If instead of growing our own corn * * * we discover a new market from which we can supply ourselves * * * at a cheaper price, wages will fall and profits rise. The fall in the price of agricultural produce reduces the wages, not only of the laborer employed in cultivating the soil, but also of all those employed in commerce or manufacture.'

"* * * Besides this, the protective system helps to develop free competition within a nation. Hence we see that in countries where the bourgeoisie is beginning to make itself felt as a class, in Germany for example, it makes great efforts to obtain protective duties. They serve the bourgeoisie as weapons against feudalism and absolute monarchy, as a means for the concentration of its own powers for the realization of free trade within the country.

"But, generally speaking, the protective system in these days is conservative, while the free-trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point. In a word, the free-trade system hastens the social revolution. In this revolutionary sense alone, gentlemen, I am in favor of free trade."

The principle has not changed in the 102 years since the outstanding Communist of all time said in effect that free trade destroys the workingman, and now, since the investment in industry has risen from a few dollars per employed man to an average of approximately \$10,000, the investor is an equal victim.

Senator MALONE. This is what he said:

But, generally speaking, the protective system in these days is conservative while the free-trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point. In a word, the free-trade system hastens the social revolution. In this revolutionary sense alone, gentlemen, I am in favor of free trade.

Mr. MOLITOR. I have a copy of the entire speech. I would like to say a few other things, if I may interrupt you.

I have been very suspicious of this whole thing. I know of no way the Communist conspiracy could weaken this Government than economically. Making a frontal attack militarily, I think we all agree they would have their hands full.

But it seemed a very singular thing to me that in the various divisions and branches of our Government in which they were carrying on the function of this trade-agreement program that has been destroying these industries—and that is the only proper place—there were people like Louis L. Lorwin, alias Louis Levine—

The CHAIRMAN. The Chair would like to make this observation. The Senator, of course, has a great deal of latitude in asking questions. You are getting off of your prepared address, are you not?

Mr. MOLITOR. Yes, I am finished with that.

The CHAIRMAN. We have five other witnesses. They have been waiting all afternoon.

The Chair would suggest you not engage in any long discourse on something not in your prepared address.

I think the witness should confine his answers to the subject at hand. We owe some consideration to these gentlemen who have been waiting all day.

Senator MALONE. I work an 8-hour day myself, about 10 hours in general. So I don't think it will hurt them very much to wait a little bit, but I sympathize with them.

The CHAIRMAN. Another thing you must realize, we have a schedule for tomorrow and these gentlemen who are not reached today will have to come back at the end of the hearings, 10 days to 2 weeks from now.

Senator MALONE. I am hoping it will be at least that long.

The CHAIRMAN. It will be at the rate we are going.

Senator MALONE. I intend to make a record with each witness.

The CHAIRMAN. It is all right with me, but I hope you do it with some moderation. I have great regard for you. I am not trying to limit your questions. But I have some control over the schedule of witnesses.

Senator MALONE. Will you let him answer the question?

The CHAIRMAN. I will interrupt any witness who doesn't answer the questions directly, but goes far afield in a speech.

Senator MALONE. I appreciate that. I think the witness feels very strongly about it, as I do myself.

I think the situation has been given out here, as it has from the Senate and many other places, that anyone who is for protection of the workingmen and investors in industry on the basis of fair and reasonable competition is a high-tariff man, and I must ask a few questions in order to explode that theory. I am not a high- or low-tariff man—but for a duty or tariff continually adjusted on the basis of fair and reasonable competition.

The CHAIRMAN. I have no objections to the questions.

Senator MALONE. When you said these trade agreements are a one-way street, just what did you mean by that?

Mr. MOLITOR. A number of nations have increased their tariffs and in the press it has been quoted that they are doing so for bargaining purposes.

After the agreements have been negotiated, as I pointed out to you previously, currencies have been devalued and all sorts of trade restrictions, exchange manipulations, quotas, have been placed upon all the imports in some cases of many of the countries with whom we have made trade agreements.

Senator MALONE. What you mean by that, then, is that they know what they are facing in these negotiations with our State Department, in GATT, and that they may come before the Assembly-created International Materials Conference under the new resolution of the United Nations and they prepare for it.

So they have a situation which, when a trade agreement is signed, means that by a simple act of manipulation of currency, they can destroy the effect as far as they are concerned.

Mr. MOLITOR. That is right, sir. In the case of the French agreement which has affected us, as I have pointed out previously, the French raised their tariffs, and I have the evidence here.

Secretary of State Hull even knew it and acknowledged it. Of course, in the press we don't get access to all the secret negotiations.

Here is a news article. It is a very short one appearing in the New York Times of February 16, 1947. They were gathering in Geneva for the first go round of the 23-nation parley. This is the headline: "Parley on Tariffs Face Deferments."

Further on in the article it states:

Most countries in Europe are elaborating new schedules of duties as a basis for bargaining. This work is incomplete.

Senator MALONE. I would like to say that Secretary Hull, of course, is no longer active, and I do not believe that he ever had in mind that the situation that now faces us could be brought about by the trade agreements he then advocated.

But in these negotiations and GATT at Geneva, the International Trade Organization, which is inactive, but still there, the International Materials Conference set up by the State Department following the refusal of the Congress to have anything to do with the ITO, and this new Assembly of the U. N. Organization of World Trade, if this act is allowed to expire and the State Department is no longer in power to make trade agreements, then all of these extraneous organizations fall of their own weight, do they not?

Mr. MOLITOR. That is right, sir, as I understand it.

Senator MALONE. In other words if our markets are not in the game there is no game, if it goes back to the Tariff Commission on the basis of fair and reasonable competition or any principle that the Congress may set, subject to their own approval, we are just not sitting in the game and if we are not in the game with our markets, there is no game; is that about it, is that about the way it is?

Mr. MOLITOR. This is the market that they want.

Senator MALONE. It is like a sucker poker game when the stranger comes to town with a bankroll. If he doesn't sit in, then there is no game.

Mr. MOLITOR. That is right. Our standard of living is so much higher than the rest of the world it is naturally a lucrative market for them.

Senator MALONE. It doesn't make any difference how much of a compromise they are faced to make in this bill, the State Department would still be in charge so these extraneous organizations could still function; is that it?

Mr. MOLITOR. That is my observation.

Senator MALONE. The summation of your testimony is that you want it to revert to the Constitution of the United States to be under the direct supervision of Congress and the regulations under a flexible system to be adjusted by an agent of Congress, the Tariff Commission?

Mr. MOLITOR. Made by an agent of Congress, the Tariff Commission, reporting to the Congress rather than the executive.

Senator MALONE. May I point out to you that under the 1930 act, everything is just as you suggest, except they recommend the changes to the President.

Mr. MOLITOR. That is right, sir.

Senator MALONE. But under the 1930 act the President has no power to adjust the tariffs. He either accepts or rejects their recommendations.

Mr. MOLITOR. That is right. But there again we have a parallel to the trade agreements program.

If some foreign nation says, "No, Mr. State Department, don't let them do that; don't let them increase that tariff," the executive by virtue of the pressure from the State Department and its goodwill ambassadors may deny an obviously necessary increase to save an industry.

That is the reason I believe the power should be placed in the hands of Congress.

Senator MALONE. That would only take a simple amendment to the 1930 Tariff Act.

Mr. MOLITOR. That is right.

Senator MALONE. In other words, we should operate on the principle laid down by Congress is what you advocate?

Mr. MOLITOR. With the one exception that I pointed out before, and that is that we should not attempt to make comparisons between cost of production here and abroad, because of the fact that the cost of production factor from abroad is not obtainable.

That should be predicated on American selling price with an arbitrary profit picture determined by the Congress or the Tariff Commission as compared to a landed value of a like or similar article of import.

Senator MALONE. You would simply broaden the Tariff Commission's authority to find the selling price. In other words, the declared customs value is probably the selling cost and the offered selling price, sale price, would have to include the profit, so if they considered those two things, that would end the question.

Mr. MOLITOR. It is well within their province to do so. The country can have every confidence in the ability and integrity and impartiality of the United States Tariff Commission.

They are, in fact, a fact finding body, and have proven so in my experience over the years.

Senator MALONE. They are an agency of Congress and only Senate 404 amending the 1930 Tariff Act would do the work.

Mr. MOLITOR. Yes.

Senator MALONE. In other words, they need to have confidence only in the Congress.

Mr. MOLITOR. That is right, sir.

Senator MALONE. Thank you very much for the opportunity, Mr. Chairman.

The CHAIRMAN. Thank you Mr. Molitor.

Mr. John M. Malkin, executive director, Schiffler Lace & Embroidery Manufacturers Association.

STATEMENT OF JOHN M. MALKIN, EXECUTIVE DIRECTOR OF THE SCHIFFLER LACE & EMBROIDERY MANUFACTURERS ASSOCIATION, UNION CITY, N. J.

Mr. MALKIN. Gentlemen, my name is John M. Malkin and I am the executive director of the Schiffler Lace & Embroidery Manufacturers

Association of Union City, the official trade association for manufacturers of embroidery.

Mr. Molitor's group manufactures lace, we manufacture embroidery and burnt-out lace, which is a form of embroidery.

I am not an expert on foreign trade. I am not an expert on economics. I know nothing about them. But I do know that I do not want to become the executive director of a ghost industry.

There are 10,000 men and women happily engaged in making embroidery in northern New Jersey. My office is in the center of our industry. From my window I can hear embroidery machines humming.

I can see trucks running up and down the street transporting embroidery and supplies. I can see our embroidery workers going in and out of drugstores, moving-picture theaters, supermarkets, furniture stores. I see them going into city hall to pay their taxes.

I see them getting married, having parties, buying automobiles, voting, running for public office, and in general doing all of the wonderful everyday things that the people in an American community do.

I do know that if the tariffs on lace and embroidery, or on any of the "fancies" that could be substituted for lace and embroidery, are reduced my industry would melt.

I do not come here representing a few special-interest people. I have the honor to represent the plea of the 10,000 workers in our industry, of the 550 separate embroidery manufacturers, of the 200 embroidery processing and service companies, of the people in the 9 towns in the schiffli area and of the commercial and industrial life of all of north Jersey.

Our industry is compressed into an area 6 miles long and 1 mile wide in the northern part of Hudson County and the southern part of Bergen County, N. J., known as the schiffli area. The section is known as the schiffli area because the schiffli lace and embroidery industry is the principal employing group and the principal source of livelihood of the people in the area. The center of our area contains the New Jersey entrance to the Lincoln Tunnel and we are only a few minutes from the busy women's apparel industry in New York City.

We are afraid, and I think justly so, that if H. R. 1 is passed the tariffs on laces and embroideries will be reduced. Our tariffs now run from 60 percent to 20 percent and are not really sufficient to give us complete protection.

In addition, we are now on the list of items for negotiation with Switzerland in Geneva in April, as a result of the increase in tariffs on the Swiss watch movements last year.

The schiffli embroidery industry produces high quality embroidery in the most efficient manner possible. But our embroidery machines are exactly the same as are used in Japan and Europe and can produce no faster in Union City, N. J., than they can in Japan or in Germany, Austria, Switzerland, France, or Italy. American mass-production methods cannot possibly make up for the labor cost differential.

We pay wages to our employees commensurate to the American standard of living. I don't think we have to apologize to anyone in

the world for paying wages in lines with the American standard of living.

The other embroidery producing countries pay amounts varying from 19 cents per hour for the best embroidery labor in Japan to a top of 57 cents per hour in Switzerland. Other countries pay amounts between 19 and 57 cents per hour for their best workers. Family shops, child labor, cottage labor (home work) and 24 hours per day production result in even lower foreign labor costs. In addition to low labor costs in foreign countries, they have the added advantage of lower costs of raw materials because the principal price ingredient in the cost of their raw materials is also labor.

Our domestic embroidery manufacturers compete closely with each other on prices. We also compete with hand embroidery from sub-standard areas in the world and with schiffl imports from Japan and Europe. Our market is sensitive and a 10 percent increase in foreign imports could depress our market prices enough to cause the prices of American made embroidery to drop below cost. If that occurs, there will be many cases of factories closing and widespread unemployment would result in our industry and in many, many other industries in the schiffl area that are dependent upon the buying power of our employees.

There is such a high percentage of the available working population in the schiffl area engaged in the manufacture of embroidery that should our industry begin to sicken it would be disastrous to our area.

Our position in our nine towns in New Jersey is unique. Because our machines are so heavy and so delicately balanced we cannot move them easily. We have located there and we must stay there. We are such an integral part of the economic structure of northern New Jersey that general business conditions fluctuate in accordance with business in the embroidery industry. I think it is safe to say that almost every family in our area has at least one member connected directly or indirectly with the embroidery industry.

Any kind of Federal assistance contemplated for the readjustment and relief of our employees, our communities and our industries, however well intended, would be ineffective because we could not get 750 new firms to move into the 750 separate specially constructed buildings that now house our industry.

Our volume during prosperous periods is about \$100 million per year. We now average between \$65 and \$75 million per year but hope to raise it to our peak through style promotion and trade promotion.

I object to the callous attitude that permeates those who are attempting to push H. R. 1 through Congress without regard for the permanent damage which would inevitably result to our American economy in the event that H. R. 1 becomes the law of the land. It took us 60 years to build up our embroidery industry to its present position. A tariff cut would ruin this wholly American industry overnight. It would knock the props out from under us and hundreds of similar industries throughout the country.

May I respectfully suggest that the extreme limitations on public hearings with respect to the one measure, namely the tariffs, which is of most importance to the American way of life is substantial evidence that there are forces at work striking hard to kill tariff

protection. There is an attempt being made to railroad through H. R. 1 without the opportunity of full and complete public consideration of the effect of this law.

I do not understand why H. R. 1 is being pushed through without Congress and the public being given a chance to evaluate the result of the GATT review and its import on our domestic economy and without Congress being given a chance to weigh the findings of the Tariff Commission on the special investigation on commodities which have a present tariff of 50 percent or more.

I do object to the short period of time allowed for my presentation and to the short notice of the scheduled date for my presentation.

We are not a defense industry from the standpoint of national security and safety from enemy attack and we do not desire protection on that score. But we are considered a defense industry by the Government and during the Second World War the Schiffli embroidery industry produced all of the insignias and shoulder patches for the United States Armed Forces and most of the Allied forces. These insignias and shoulder patches are vital during time of war and necessary for the morale of our fighting men. No industry so necessary to our military effort should be allowed to be extinguished. No industry that is considered a defense industry by the Government should be threatened with tariff reductions and unfair import competition. And we are important to the happiness of American women. It is our function to make American women look more appealing to American gentlemen—to make the ladies look like ladies. Ours is a product of beauty and no armchair economist or starry-eyed idealist can detract from the efficacy of our effort.

I think that you will be interested to hear a telegram which I received last night from John E. Otis, mayor of West New York, N. J., who last year was chairman of a parley of the nine mayors in the schiffli area on the subject of equitable tariffs to protect the American lace and embroidery industry. Our mayors are fine public-spirited leaders and they are worried about our industry. The telegram follows:

JOHN M. MALKIN.

*Executive Director of the Schiffli Lace and
Embroidery Manufacturers Association,
Union City, N. J.:*

I wish you every success in your appearance before the United States Senate Finance Committee March 7. As you captain the "schiffli" through the treacherous waters ahead please be assured of our continued concern. I lend my breath to the 10,000 employees and their families who combined shall power the sails, and who shall look for an embroidered flag of victory upon the mast of the "little ship."

JOHN E. OTIS,
Mayor of West New York, N. J.

I respectfully request that exhibits A through E attached to this statement be made a part of the record and considered with this statement.

We respectfully request that this committee and the Senate carefully consider our plight and we earnestly urge that the tariff protection not be reduced on schiffli lace and embroidery or on any lace or trimming or "fancy" that might be substituted for our product. We ask this for our 10,000 people, our 550 manufacturers of embroidery, our

200 embroidery processing and service companies, for our communities and for the economic health of all northern New Jersey.

The CHAIRMAN. All right, sir. Any questions?

Senator MALONE. What about these exhibits attached?

The CHAIRMAN. They will be included in the record.

(Exhibits A through E submitted by Mr. Malkin follow:)

[Reprint from Monday, February 21, 1955, issue of the Hudson Dispatch. The Hudson Dispatch is the daily paper circulated in northern New Jersey].

EXHIBIT A. KILL THIS BILL IN SENATE

The tariff-cutting bill, sponsored by Eisenhower administration's freer foreign trade advocates may knock the bottom out of our embroidery industry in north Hudson and east Bergen territory, provided that it passes the Senate, as it did the House of Representatives on Friday, and the President cuts tariffs on textile products the full limit permitted in the measure—15 percent in 3 years.

With "Eisenhower Democrats" providing the necessary votes, despite opposition from a large bloc of Republicans, the tariff-cutting measure, euphemistically labeled "Foreign Trade Bill," was jammed through the House without even the lone amendment to which opponents had been restricted, by a vote of 295 to 110.

We are glad that Representatives T. James Tumulty of the 14th District that includes Hoboken, upper Jersey City and most of north Hudson; Alfred D. Sieminski of the 13th District, which lies in Jersey City and Bayonne, and Frank C. Osmers, Jr., 9th District, all voted against the measure. Representative William B. Widnall of the 7th District, was recorded as approving.

Herman Mitler, president of Schiffl Lace and Embroidery Manufacturers Association, while disappointed over the passage of the tariff-cutting bill in the House, expressed the belief that it would not get through the Senate without protective amendment. Mr. Mitler blamed import-export interests for the success of H. R. 1. He said they had spent fortunes in propaganda to make it appear that the country is in favor of a free trade philosophy.

Mr. Mitler predicted that if the foreign-trade bill gets through the Senate without amendment, and is signed by the President, thousands of small businesses would be pushed to the wall, if the full tariff reductions under the proposed law are carried out, and among them many embroidery establishments. The greatest center of embroidery and lace manufacture in the world is located in north Hudson and east Bergen County.

How the bill split party lines was shown by the final vote, in which 186 Democrats lined up with 109 Republicans in support of the Eisenhower measure. Against were 75 Republicans and 35 Democrats.

As finally adopted by the House, the bill would extend until June 30, 1958, the Trade Agreements Act. It would give the President power to cut most tariffs 5 percent each year for 3 years, without approval of Congress, providing the changes were made in return for concessions from other nations. Duties on products imported in negligible amounts might be cut as much as 50 percent in return for concessions.

Just before the vote on motion of Representative Reed (Republican, New York) to send the measure back to Ways and Means Committee for revision, Minority Leader Martin (Republican, Massachusetts) read a letter from President Eisenhower, in which he stated that he had been surprised to learn that some Members of Congress were "not wholly familiar with my philosophy" concerning proper administration of the trade program. The President emphasized that the program "will powerfully reinforce the military and economic strength of our own country and is of the greatest importance to the free world." The President said that it underlies much of America's military effort abroad, and promises "ultimate relief from burdensome foreign assistance programs now essential to free world security." The President denied that the measure would be inimical to the interests of America and disclaimed the contention of critics that it would result in throwing out of work thousands of American workmen. "Obviously," he wrote, "it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women. This program, therefore, must be and will be administered to the benefit of the Nation's economic strength and not to its detriment. No American industry will be placed in jeopardy by the administration of this measure."

That letter clinched the passage which followed the defeat of the Reed motion to return the bill to Ways and Means Committee. Representative Reed sought to limit the President's power of tariff cutting to those recommended by Federal Tariff Commission, unless reversal of the FTC was to safeguard the security of the Nation, in which case the President would have had to give Congress his reasons for acting contrary to FTC recommendations.

It will be noted that the President, in his letter, did not say that no tariff would be cut that injured industry in this Nation. He said that no reductions would be made that would "jeopardize" industry. That's a big difference, and between them many small plants could be closed and thousands thrown out of work without actually jeopardizing the whole industry.

Senate Finance Committee will now take up the bill, and it is there that industrialists and unionists and nonorganized workers should make their fight to revise the measure so that it will not injure any industry, particularly those in Hudson and Bergen Counties. Among those most likely to be hurt by the proposed law is our embroidery manufacturing. All Japan needs to flood this country with cheap-labor-made textile products is a low enough tariff.

Some manufacturers felt the keen competition of Japan's low-wage industries in the pre-Christmas season last year. There were goods that came into this country, despite the present tariff wall, that were sold for less than they could be produced in this Nation, where wage rates are from 5 to 10 times higher than they are in Japan. What will happen if the present tariff is reduced 15 percent presents a nightmare for some American manufacturers to contemplate.

EXHIBIT B. RESOLUTION INTRODUCED INTO THE NEW JERSEY LEGISLATURE BY HON. MAURICE V. BRADY, ASSEMBLYMAN FROM HUDSON COUNTY, ON MAY 17, 1954

Whereas the increased importation of lace and embroidery products that come into competition with the output of factories of Hudson County, N. J., replacing the products of Hudson County's lace and embroidery industry, is a constant menace to the State's continuing economic stability;

Whereas the lower wages paid abroad make it impossible for many of our smaller and medium-sized producers of lace and embroidery products to compete with imports without resorting to ruinous price-cutting, which in turn would result either in financial losses or heavy pressure for wage reductions and outright unemployment;

Whereas under proposed legislation, the President, on recommendation of the Tariff Commission, controlled by the President, would be able to reduce tariffs on imports from Japan down to 50 percent of what they were on January 1, 1945, or by one-third for any years of the 3-year period that this measure would cover. Many tariffs would be cut by 5 percent for each of the 3 years;

Whereas if the tariff on lace and embroidery products is lowered, then embroidery shops in Japan, Austria, Switzerland, and Germany could capture the American embroidery market by utilizing cheaper labor and underselling Hudson County;

Whereas our national obligations have reached such extreme proportions that the national income must be maintained at its present unprecedented high level, or close thereto, lest we become insolvent;

Whereas pressure that comes from imports of lace and embroidery products will render the upholding of the local economy at its high levels most uncertain and difficult, unless all import trade is placed on a fair competitive basis and the potential injury therefrom thus contained; and

Whereas a maximum of such trade results from a prosperous domestic economy freed from the threat of a breakdown resulting from unfair import competition: Therefore be it

Resolved, That the General Assembly of the State of New Jersey hereby memorialize the Congress of the United States that adequate safeguards be provided in tariff and trade legislation against the destruction or lowering of our American standard of living, the labor standard of our workmen, and the stability of our economy by unfair import competition of foreign lace and embroidery; and be it further

Resolved, That copies of this resolution be transmitted to the President of the United States, the Vice President of the United States, the Secretary of State, the Secretary of Commerce, the Secretary of Labor, the Secretary of Agriculture, the Chairman of the United States Tariff Commission, the Speaker of the House of Representatives, and each Senator and Representative from New Jersey in the Congress of the United States.

[Lead editorial reprinted from Hudson Dispatch of Wednesday, May 19, 1954. The Hudson Dispatch is a daily newspaper circulated in the northern part of Hudson County and southern part of Bergen County, N. J. Circulation is 35,000].

EXHIBIT C. DON'T KILL NORTH HUDSON INDUSTRY

North Hudson faces a grave peril.

Because its greatest industry—embroidery and lace manufacturing—is in danger of having to compete with the low-wage products that Eisenhower administration wants to bring in from Japan at greatly reduced tariffs.

The Kean bill, which is the Eisenhower administration's effort at promoting internationalism at the price of throwing out of work highly paid American workmen, will be fought bitterly in the House of Representatives. A meeting has been called by representatives of the embroidery industry for tomorrow in Union City to organize a fight against this threat to North Hudson's principal product.

Under the Kean bill, the President, on recommendation of the Tariff Commission, controlled by the President, would be able to reduce tariffs on imports from Japan down to 50 percent of what they were on January 1, 1945, or by one-third for any years of the 3-year period that this internationalists' measure would cover. Automatically many tariffs would be mandatorily cut by 5 percent for each of the 3 years.

The proposed law would apply to other goods, but North Hudson is principally interested in its effect on the embroidery industry, for here in North Hudson and East Bergen is the greatest center for such manufacture in the whole world. Even the well-known Swiss embroidery industry takes second place to ours. But Japan is the most feared competitor because of the cheap standard of living in that country that begets cheap labor, which earns, in Japan, as low as 19 cents an hour and, in Switzerland, up to 57 cents. When these wages are compared with the average of about \$1.76 paid for skilled workers in the North Hudson embroidery industry, it is plain that steep cuts in the import tariffs might ruin the American trade.

There are some 550 large and small embroidery and lace-manufacturing plants concentrated in the North Hudson-East Bergen County area. In addition, there are approximately 200 bleaching, dyeing, finishing, and other processing shops.

Mayor John E. Otis, of West New York, realizing the seriousness of this low-tariff threat against North Hudson's \$75 million industry, has accepted the chairmanship of the committee of officials on which will be all the mayors of the municipalities in which the industry is located in this section of the State.

Congressman Edward J. Hart has pledged that he will fight the Kean bill, which has the support of President Eisenhower and, therefore, may be hard to beat.

[Lead editorial reprinted from the Jersey Journal of Wednesday, May 19, 1954. The Jersey Journal is a daily newspaper circulated in Hudson County, N. J. Circulation is 101,000]

EXHIBIT D. SCHIFFLI AND TARIFF

One of the world's greatest centers of the embroidery industry is in Hudson County—particularly in North Hudson. In small buildings, converted garages, spaces which were once the "family entrance" back rooms of saloons, and many other industrial nooks and crannies, schiffli machines make lace and embroidery.

It is that kind of industry; a great many small operations. It is concentrated because the men and women with the necessary know-how are concentrated in North Bergen, Union City, West New York and the surrounding communities. The industry estimates its working and dependent population at 10,000 families.

Right now it is faced with a problem in—of all things—tariffs. The tariff on embroidery is due for reconsideration. If it is lowered, then embroidery shops in Japan and Italy and Germany could capture the American embroidery market by utilizing cheaper labor and underselling Hudson County.

Of course, as with taxes, everyone says of tariffs: "Do it to the other fellow but not me."

Hudson County will have to offer a better argument than that if it expects this quiet but important industry to survive. Hudson County can offer better arguments. In fact, the mayors of the various Hudson communities, the Hudson

Congressmen and civic leaders will meet tomorrow in Union City to outline such arguments.

There are two good reasons which will be advanced almost certainly:
101,000]

1. If the embroidery industry is closed down by adverse tariff rulings, nothing can replace it. What else could be made in those little shops? It is not like substituting tractor manufacture for railroad car manufacture in a big plant. The embroidery factories would be lost to production, they would decline as real-estate tax ratables, their people would have to be scattered to other industries to be retrained, if reemployed at all.

Would this do our friends abroad any good? Probably not as much good as it would do us harm. Thus, in an effort to create trade (to replace aid) we would be injuring ourselves far more than the benefits abroad could warrant.

2. If the embroidery industry is not closed down, it will be no great blow to the people abroad whom we want to help in a practical way by developing trade with them. They are not now dependent upon the industry; they cannot lose what they do not have.

Hudson County's world-famous schiffli industry has good reasons why it should survive. It is not asking favors nor asking for survival solely on a patriotic basis. Sound tariff policy can keep our embroidery industry going without hurting the people of Europe and Asia whom we wish to help.

RESOLUTION ADOPTED AT A PARLEY OF THE MAYORS OF CLIFFSIDE PARK, FAIRVIEW, GUTTENBERG, JERSEY CITY, NORTH BERGEN, SECAUCUS, UNION CITY, WEEHAWKEN, AND WEST NEW YORK HELD AT THE SWISS TOWN HOUSE IN UNION CITY, N. J., ON MAY 20, 1954, AND READOPTED JANUARY 25, 1955, AT CONFERENCE IN THE SCHIFFLI LACE AND EMBROIDERY MANUFACTURERS ASSOCIATION, UNION CITY, N. J.

Whereas there are 550 firms engaged in the manufacture of schiffli lace and embroidery in Hudson and Bergen Counties in New Jersey, comprising 92 percent of the schiffli lace and embroidery industry in the United States, which firms with their allied processing trades also located here employ more than 10,000 citizens of New Jersey;

Whereas schiffli lace and embroidery is extensively used in the clothing industry for gowns, dresses, underwear, shoes, hats, blouses, handkerchiefs, gloves, baby clothes, handbags and coats and in the home-furnishings industry for bedspreads, sheets, curtains, drapes, tablecloths, and scarfs;

Whereas the schiffli lace and embroidery industry is vulnerable to import competition from Japan and Europe;

Whereas the menace of such imports lies principally in the foreign competitive advantages derived from low wages prevailing abroad: Therefore be it

Resolved, That the Congress of the United States is respectfully petitioned and memorialized to safeguard this industry so vital to the economy of northern New Jersey by maintaining the present tariff levels on lace and embroidery.

Mayor Francis J. Murphy of Cliffside Park, Mayor Louis Battaglia of Fairview, Mayor Herman G. Klein of Guttenberg, Mayor Bernard J. Berry of Jersey City, Mayor John J. Roe of North Bergen, Mayor John J. Kane, of Secaucus, Mayor Harvey J. Thourot of Union City, Mayor Charles F. Krause of Weehawken, Mayor John E. Otis of West New York.

Senator MALONE. Mr. Malkin, you represent the workers in this industry as well as the manufacturers?

Mr. MALKIN. Yes, sir.

Senator MALONE. Do you have any resolution or any direction from the workers there to that effect?

Mr. MALKIN. No, sir. There is only one that could come down to present the story, and I am it.

Senator MALONE. Do you have a union there?

Mr. MALKIN. Yes, sir. We have a union that represents one-third of the shops, manufacturing shops, which constitute about one-half of the machines involved and about one-half of the employees.

The rest of the trade, which does not have the union, still pays the wage that is determined by the union in their negotiations with their employers.

Senator MALONE. These other employees join you in this statement?

Mr. MALKIN. Yes, sir.

Senator MALONE. What are these machines that you described? How do they operate, and what is the size of the machines and cost or them?

Mr. MALKIN. Sir, this is a shuttle that fits into the back of the machine. You notice that it looks a little bit like the hull of a ship. If you can visualize a mast and a sail, you can think of it as a little ship.

Senator MALONE. Describe the size of it.

Mr. MALKIN. The shuttle is $1\frac{1}{2}$ inches long. In the German language schiff means ship, and the Swiss use of the German language—schiffli would be little ship. The shuttle is schiffli. The embroidery is schiffli. The machine is schiffli.

Mr. Molitor's is a woven lace, and ours is a stitched process like my necktie or my handkerchief.

Our machines weigh in excess of 8 tons. We now have a completely American machine on the market. It retails for \$62,000.

Senator MALONE. That is a machine that uses a multiplicity of these shuttles.

Mr. MALKIN. A thousand shuttles.

Senator MALONE. In one machine?

Mr. MALKIN. A thousand shuttles and a thousand needles. The 10 yard machine has approximately 600 shuttles and a 15 yard machine has more than a thousand shuttles.

Senator MALONE. This is an automatic operation, isn't it?

Mr. MALKIN. Yes, sir. It works on a punching which is a card similar to a jaquard card. It looks roughly like the cardboard rolls that were used in the days when we had electric pianos, and it has holes in it and the holes activate the machine and cause it to make a specific design.

Senator MALONE. How many workers do you have on a machine of this kind?

Mr. MALKIN. About five workers per machine.

Senator MALONE. What other employment is there besides the machines that take up the 10,000 workers?

Mr. MALKIN. We have a segment of the trade, sir, that sells the embroidery thread. They are known as yarn dealers. They sell this thread.

It has to have a twist opposite the twist of thread used in the other segments of the textile trade. We have a segment of the trade involved in bleaching and finishing the embroidery after it is manufactured.

We have a segment that does nothing but cut the loose thread between the two specific designs. They are known as thread cutters.

We have scalloped cutters who cut the edges of the embroidery by hand and by machine.

We have designers who create the pattern of the embroidery design. We have punchers who transpose the design from the work of the designer to the punching.

Senator MALONE. These are all expert workers, expert in their own particular line?

Mr. MALKIN. Yes, sir.

Senator MALONE. What wage do they receive, generally speaking? What is the range of the hourly wage?

Mr. MALKIN. The hourly wage varies in accordance with the time of the year, the season of the year, and in accordance with the field of employment; that is, the type of work the man does.

But \$1.75, \$2, or \$1.85 for ordinary work. A puncher or designer gets a great deal more.

Senator MALONE. Are these machines available to other nations where this same product is produced?

Mr. MALKIN. Yes, sir. We have approximately 1,100 machines in our area. Switzerland has 853. Austria has 569. East Germany behind the Iron Curtain, Plauen has several hundred. I don't know the exact condition of the machines.

Senator MALONE. How many could they have in Japan?

Mr. MALKIN. To the best of my knowledge, under 300.

Senator MALONE. But other machines are available to Japan?

Mr. MALKIN. There are two companies in the world—Saurer in Arbon, Switzerland, and the Reiner Co. in Weehawken, N. J.

But there is a movement in secondhand machines.

Senator MALONE. And they would be available to Japan or any nation going into the business?

Mr. MALKIN. Yes, sir.

Senator MALONE. Would you say the wage rates in Japan are 19 cents an hour and in Switzerland 57 cents an hour?

Mr. MALKIN. That is conservative. I have heard figures of less than 19 cents an hour in Japan.

I have heard of figures of less than 50 cents an hour in Switzerland.

Senator MALONE. Assuming that that is the price, are these workers as efficient as American workers after they get started?

Mr. MALKIN. More efficient per dollar, because they will work longer hours and they will work faster. We have an American mode of treating our employees. We will not ask an American employee to do something that we don't think is proper.

We don't ask him to work too quickly unless there is an emergency. But I understand they don't have that same regard in Japan.

Senator MALONE. Do you here in New Jersey have industrial insurance and unemployment insurance and social security?

Mr. MALKIN. Yes, sir.

Senator MALONE. Would you outline, or do you know what that costs the worker; are you familiar with that part of it?

Mr. MALKIN. I would not want to do that, sir.

Senator MALONE. Do these workers in Japan and Switzerland have the same protection that we have here?

Mr. MALKIN. No, sir.

Senator MALONE. You know that?

Mr. MALKIN. Yes, sir.

Senator MALONE. I have made the remark before now that there are some nations where their entire wage is lower than our combined in-

dustrial insurance, unemployment insurance and social security, and I think that obtains in a very few nations. Mostly it is a little higher than what we pay for protection, but not very much.

But in any case, you don't think you can compete with these nations without a proper duty or tariff to make up the difference?

Mr. MALKIN. No, sir; we cannot compete without an equitable tariff.

Senator MALONE. What is that tariff now, or duty, if you know?

Mr. MALKIN. It goes from 60 percent to 20 percent. Sixty percent for the main. Our tariff may be adjusted in secret negotiations with Switzerland in April in Geneva.

Senator MALONE. You mean it is under consideration now?

Mr. MALKIN. Yes, sir.

Senator MALONE. How did you find out that much?

Mr. MALKIN. The notices regarding negotiations with Switzerland came down last week, sir, and 1529A and 1529B, which comprise almost all of our product, head the list.

Senator MALONE. Are you invited in before the Geneva Conference in the discussions?

Mr. MALKIN. No, sir; they are secret, sir.

Senator MALONE. You have been informed that they are?

Mr. MALKIN. Yes.

Senator MALONE. What do you do in wartime? Have you ever been converted to any war production; that is, material that is needed in wartime?

Mr. MALKIN. Sir, we do not really claim to be a war industry entitled to protection because of that aspect of our product, but during the war we produced all of the emblems for the Armed Forces.

Senator MALONE. What you really claim protection for is that you are a substantial sector of the economy of this area.

Mr. MALKIN. Yes, sir.

Senator MALONE. Of course, in my personal opinion, that has always been enough to claim the protection of the differential between the cost here and in the chief competitive nation. Is that about what you advocate? Our own strong economy is the greatest national defense weapon.

Mr. MALKIN. Yes, sir; that would be sufficient.

Senator MALONE. If it is done on principle, as it would be under the 1930 tariff law, and this 1934 act were to expire so that the State Department would be out of such negotiations in the future, then you would be satisfied?

Mr. MALKIN. Yes, sir.

May I in answer to your question a moment ago say that Switzerland in 1954 had a very excellent year and still requests a drop in the tariff on embroidery, and I have before me a Foreign Service dispatch from the American Embassy in Bern dated January 31, 1955. I will read the first two sentences.

The high level of economic activity which has characterized the Swiss economy through 1954 continued in December and the prospects for a prosperous new year are excellent. Unemployment is negligible.

Senator MALONE. In the Geneva Agreement on Tariffs and Trade, in the International Materials Conference, the United Nations Assembly resolution creating another worldwide trade organization, the presumed objective is to distribute the markets of this Nation among

the nations of the world. Do you understand that if this act is not extended and it reverts to the Tariff Commission on the principle of fair and reasonable competition or that difference in cost, that these organizations are no longer effective?

Mr. MALKIN. Yes, sir.

Senator MALONE. And that is what you would like to see?

Mr. MALKIN. Yes, sir.

Senator MALONE. I thank you, Mr. Chairman. That is all.

The CHAIRMAN. Thank you, Mr. Malkin.

Mr. George J. Burger, vice president, National Federation of Independent Business.

We are glad to have you, Mr. Burger.

STATEMENT OF GEORGE J. BURGER, VICE PRESIDENT, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Mr. BURGER. I am George J. Burger, vice president in charge of legislative activities, National Federation of Independent Business, 740 Washington Building, Washington, D. C. Our national headquarters are located in Burlingame, Calif. We also maintain division offices at New York City, Cincinnati, and Chicago.

It must be understood by Members of Congress that no officer or group of officers is permitted to speak for the federation as to its position on any legislative or economic problems unless so directed by a nationwide poll of our members. The entire membership is polled and the results of these polls give the executive officers the authority to act in behalf of the members.

I am appearing in opposition to any further extension of the reciprocal trade agreement. I am basing this action on the current poll of our membership, instituted by the federation, in the past 30 days. The proposition put to the members was as follows:

Argument for: To promote prosperity and strengthen ourselves and the free world, we must promote international trade. We can do so by lowering tariffs. This bill doesn't interfere with safeguards for our own industry. Effect of tariff cuts is overplayed. Surveys show 4.3 million United States workers depend on export and import business. Much is said of effect of foreign oil imports on coal, when actually coal is suffering from railroad dieselization and increased gas use. We ask other nations not to trade with the Reds. Where, then, can they trade, but with us?

Argument against: The United States is now a low-tariff country; only 7 nations have lower percentages of customs collected to imports. While we cut tariffs, other nations build walls against our goods. We have gotten very few benefits from tariff cuts of the past 20 years. Our allies do not need additional aids. Their industrial production has risen from 31 percent to 73 percent above 1938. We have never tested our present tariff policy under normal world conditions. Let's do so, and see what happens to our own country, before cutting further. We must not weaken our own economy needlessly.

I was advised by Western Union wire from our head office at Burlingame, Calif., by our president, Mr. C. Wilson Harder, of the results of the poll on March 1, 1955. The telegram read as follows: "Mandate 209 vote on H. R. 1 as follows: 28 percent for, 64 percent against and 8 percent no vote."

The mandate referred to above is attached hereto as permanent exhibit in connection with this testimony.

Our Nation has been most charitable during the past decade or more in its financial aid to nations throughout the world. Billions

upon billions of dollars have been appropriated and spent by the Federal Government in the hope of rehabilitating the economy of these foreign nations.

It is significant and important to note in recent comments from foreign correspondents of leading newspapers of this Nation that the reports state that many of the nations who have been aided have shown considerable improvement in their economic situation, some nearly equaling peacetime records and even exceeding them. I think a review of the comments recently expressed by that competent correspondent, Michael Hoffman, of the New York Times, will verify the statement I have just made.

It is also interesting to note a financial statement made by the chairman of the board of the Goodyear Tire & Rubber Co. on February 22, 1955, referring to the operations of his company in the past 12 months. He stated:

Sales increased last year in other parts of the world, especially in the British Empire and Western Europe. This increased volume in Europe reflected business recovery from the effects of the war.

Which would seem to prove that Europe and the rest of the world is not doing too badly.

In the course of our daily contacts with our small-business membership throughout the Nation, we have been notified of the serious impact on their own individual businesses due to the excessive imports of foreign goods, for example, motorcycles, bicycles, and tinfoil, and so forth, in which some of our people made the report that it was coming from behind the Iron Curtain countries.

More recently, from membership in the State of Texas, complaints have come in of excessive importation of Egyptian cotton. I could go on and relate the reports from many other producers or distributors in small business of this Nation who have registered protest against the excessive imports of cheap foreign goods, all tending to reduce their position in the production or distribution field.

We believe that the reciprocal trade arrangement has gone far enough and that this power should now revert back to the Congress and to the Tariff Commission where it rightfully belonged in the first place.

Our interest, Mr. Chairman, is to protect the people we represent, the independent businessmen, and indirectly thereby American employment generally.

In conclusion, we respectfully request that you vote "No" on the extension of the reciprocal trade agreement.

The CHAIRMAN. The ballot to which you referred will be inserted in the record.

(The ballot referred to is on file with the committee.)

The CHAIRMAN. For the record, I want to say that the National Federation of Independent Business is a very fine organization, and in Mr. Burger it has a fine representative.

Mr. BURGER. Thank you very much, Mr. Chairman.

The CHAIRMAN. Any questions?

Senator MALONE. Mr. Burger, how many members do you have in your organization?

Mr. BURGER. Just about 100,000. It fluctuates between 93,000 and 100,000, due to mortality and whatnot. This poll, Senator Malone, reached, I would believe between the mailing of 93,000 to 100,000

and then we have 200 men in the field in their solicitations who present this mandate to new prospects or whatnot—I would say this poll made within the past 3 days must have reached at least 125,000.

Senator MALONE. You talk about the recovery of the European nations and Great Britain. Do you know anything about their habit of selling their material to the Iron Curtain countries and now to China?

Mr. BURGER. All I can say, like the late Will Rogers said, "All I know is what I read in the papers about it."

Senator MALONE. You read enough in the papers, and I doubt if it is all there.

In our best judgment, they are continuing to trade with these countries; are they not?

Mr. BURGER. Exactly.

Senator MALONE. We have furnished them money to build their plants, and we build our competition to the extent that we lower our duties and tariffs to allow them to displace our production here; wouldn't that be a fair statement?

Mr. BURGER. That is correct.

Senator MALONE. The amount that they produce above what they use themselves, they are presumably shipping to these other countries.

Mr. BURGER. There is no question about that.

Senator MALONE. Then what we have really done is built up our own competition.

Mr. BURGER. That is correct.

Senator MALONE. In 1948 I tried to explain that on the Senate floor when many thought that all we had to do was to increase production. There would be no problem in financing additional production if you have the market and the feasibility their factors add up right, any private outfit will do the financing. It is only when you build beyond the ability of the market area to consume, that there is a problem of marketing the product. In that case under our foreign policy we are supposed to divide our market with them or furnish taxpayers' money which will not be repaid—or both.

Mr. BURGER. That is right.

Senator MALONE. I said at that time that in due time this European production capacity would be so overbuilt that we would either have to market the product here or dispose of it behind the Iron Curtain. Otherwise the investment would be lost.

Mr. BURGER. That is correct.

Senator MALONE. Our investment is lost to us anyhow, but it is also lost to them unless they can sell to us or to the Iron Curtain countries. That would be true, would it not?

Mr. BURGER. That is correct.

Senator MALONE. It was a mystery to me why the Congress could not see it at that time. I think the public did see it, as a matter of fact but could not stop it.

Mr. BURGER. Senator Malone, I am not a professional trade association man. I have been in my own business for close to 40 years. I have traveled this country back and forth.

My education is limited, but I have had an extensive business education. I would think that the foreign trade program that developed shortly after or just at the tail end of the depression—I think today

that Congress from what I can observe and the expansion of a lot of these American plants all over the world, that they ought to take a very careful look into this tariff situation, because you know and I know that we have been living in a war economy, and when we get back to a peacetime economy, with very low tariffs, anything can happen to the employment situation, and small business will be one of the victims that is going to be hit.

Senator MALONE. It will take another war to keep up employment; is that it?

Mr. BURGER. That is right.

Senator MALONE. Speaking of business education, we are very long on education in Washington and a little short on business education. I am glad to see you here.

These foreign plants financed by American money with the bait held out—and we have already done this—of lowered duties and tariffs below that differential cost, with the use of the low-cost labor can now undersell the American production in many industries. Is that right?

Mr. BURGER. That is right.

Speaking down in Charles Town, W. Va., 2 years ago this May, I was very much amazed that I happened to be invited there before this college and speaking on this economic situation and its effect from abroad, 1 or 2 gentlemen stood up and said they weren't concerned about this low-priced labor in Europe, the American laborer would be able to know how to meet and beat that competition—or American industry would.

I cannot see it in the wildest imagination.

Senator MALONE. Were they talking about the American labor being able to work in those foreign countries or American capital big enough to go to the foreign countries and hire the low-cost labor?

Mr. BURGER. They were talking about American competition, American industry being able to compete even at the low-cost labor in foreign markets.

Senator MALONE. Did they know that the same American industry is now establishing foreign plants in those countries to use the low-cost labor and bring the stuff back here?

Mr. BURGER. I don't know. I should think they would.

Senator MALONE. Maybe they did not know that.

Mr. BURGER. Oh, yes. A little off the subject, Mr. Chairman, I recall that it was brought to my attention during World War II while I was in the building here—whether it was so, I don't know—but a cartel arrangement between American and British and foreign producers to earmark the markets of the world on tires that would be manufactured, and when I brought that to the attention of labor leaders in that industry, they said they would be able to take care of that situation.

I questioned whether they ever would.

Senator MALONE. Don't they take for granted that this low-cost labor is using obsolete equipment in manufacture when they say those things?

Mr. BURGER. Who is using obsolete equipment?

Senator MALONE. I say, don't these people—these professors and hand-raised economists—all assume that the foreign workers are using the same old obsolete equipment that they used before the war?

Mr. BURGER. Then they ought to attend the hearings before this body and the House Ways and Means Committee and hear the witnesses before these committees, that they have very modern machinery.

Senator MALONE. That is axiomatic, whenever an American investment goes abroad or we furnish the money to build a new plant it is the best in the world of its kind because it is the last one.

I have inspected these plants in many of the countries. That is a sensible thing to expect, and that is what happens. Then you have to say that the 19 cents an hour labor in Japan, that a trained Japanese worker cannot do as much work as an American using modern machinery, or he cannot do one-eighth as much because he is getting one-eighth of the pay.

Mr. BURGER. That is right.

Senator MALONE. Of course, it is silly, we all know that.

That is what we are still being told and the propaganda that is going out from the State Department.

Mr. Burger, I am very glad you have come before the committee. I understood you to say, that the purport of what you said, is that this act should not be extended.

Mr. BURGER. That is correct.

Senator MALONE. You know what happens if the act is not extended? Any article upon which there is no trade agreement reverts to the Tariff Commission, an agent of Congress, to fix the tariff or to change it on the basis of fair and reasonable competition, or that differential in cost. It is a flexible tariff.

Mr. BURGER. That is right.

Senator MALONE. And that is a definite principle laid down in the act, that differential of cost. Some say you cannot determine a foreign cost. I am inclined to agree. It is very hard to do that.

It is easy to fix a tariff, estimate it and see how it works. It is like fixing a freight rate. You may be wrong the first time. I served for 8½ years on a public service commission in Nevada, and we held many hearings for the Interstate Commerce Commission. The first time you fix it, you may be a little off regardless of the care you take. But everybody knows within a few months what it ought to be, and there is another adjustment and you are very close to the target.

But you are for adhering to the principle laid down by the Constitution of the United States which fixes the constitutional responsibility on the Congress to set the duties or tariffs and to regulate foreign trade?

Mr. BURGER. Very definitely on that question.

Senator MALONE. The Tariff Commission is an agent of Congress in the 1930 Tariff Act. The principle of fair and reasonable competition is the principle under which they operate—and no other. And give them no leeway under the principle?

Mr. BURGER. Very definitely. The power must rest with the Congress.

Senator MALONE. You understand if this 1934 act does expire on midnight June 12, that the products on which there is no trade agreement does revert to the Tariff Commission and where there are trade agreements they remain in full force and effect until the President serves notice on the country with which such trade agreement has been

made for cancellation, and then within 6 months the regulation of duties on those particular products would revert to the Tariff Commission on the same basis.

Mr. BURGER. Yes.

Senator MALONE. Do you understand—I am asking these questions for the record and also knowing that you have intimate contact and information on these questions, and I want the record to be right—do you understand that all these trick organizations like GATT, like the newest United Nations Assembly resolution setting up a new worldwide trade organization, the International Materials Conference that was created by the State Department following the refusal of Congress to approve the International Trade Organization, and any other trick organization that might be created through any extraneous organization, that they would all be ineffective, they would all fall on their face if the State Department is taken out of this play and can no longer make such agreement?

Mr. BURGER. There is no question about that.

Senator MALONE. Is that what you want?

Mr. BURGER. Yes.

Senator MALONE. That is what I would like to see, too.

Mr. BURGER. There is no question about that.

Senator MALONE. I think that all these international trade organizations are based only on one thing, and that is to get us into this international poker game, and any time we don't sit down, there is no game, because there is nothing in the pot. Is that about the way you look at it?

Mr. BURGER. There is no question at all about that in my mind.

Senator MALONE. Thank you.

The CHAIRMAN. Thank you, Mr. Burger.

Mr. Marx Lewis, general secretary-treasurer, United Hatters, Cap, and Millinery Workers International Union.

**STATEMENT OF MARX LEWIS, GENERAL SECRETARY-TREASURER,
UNITED HATTERS, CAP, AND MILLINERY WORKERS INTERNATIONAL UNION**

Mr. LEWIS. I expected to have some copies here, but they haven't come in.

The CHAIRMAN. The Chair would like to make this statement. He has made a very important engagement and must leave. He didn't expect the questioning to last as long as it has. So he will ask Senator Malone to introduce the witnesses. There will be three. The Chair asks him to finish with the witnesses this afternoon because witnesses for tomorrow are already scheduled. The length of the meeting, he can determine himself. The Chairman would like to remain but a previous engagement makes it impossible.

The report will be read carefully, both the questions and the answers.

Mr. LEWIS. Thank you, Mr. Chairman.

The CHAIRMAN. I hope you get through by 8 o'clock.

Senator MALONE. Time is nothing to me so long as there is a complete record made of these proceedings.

The CHAIRMAN. All right.

Senator MALONE (presiding.) Identify yourself for the record.

Mr. LEWIS. My name is Marx Lewis. I am the general secretary-treasurer of the United Hatters, Cap, and Millinery Workers International Union, which represents approximately 40,000 workers employed in the headwear industries. Along with the labor movement, generally we strongly favor the promotion of world trade as one of the means by which international peace may be rendered secure, but we do not believe that it is necessary, or that it will even be consistent with a more liberal trade program, to destroy industries such as ours. For reasons which I intend to discuss I believe that the damage which a reduction in duties will do our workers will be immediate and substantial, while the advantage to world trade which would accrue from such reduction will be negative and inconsequential.

First of all, we are convinced that the method by which it is proposed, through this legislation, to promote world trade, is wrong, because the idea is to do it indiscriminately instead of selectively. The presumption upon which those who were responsible for past tariff reductions, at least in our case, proceeded was that industries like ours are expendable. I can do no better to prove this point than to cite our own experience. I have an idea that it may be typical of what confronts other industries that are small.

In 1947, at Geneva, our representatives agreed to a reduction on duties on fur felt hats and fur felt hat bodies. Prior to the conference at which that reduction was agreed upon, our international union filed a statement with the Committee for Reciprocity Information pointing out that while many American industries may be in a position to offset the competition of foreign producers by virtue of their technological superiority we were in no such position, and that because of the failure of our industry to keep up with the expansion of the country generally any increase of foreign imports would have to be at the expense of our industry and our workers. Moreover, we pointed out that since our industry is one of the American industries which draws the bulk of its raw materials from foreign countries, a flourishing hat industry here means increased exports of foreign countries into our markets exports of raw materials our industry can use.

The facts we cited then could have readily been substantiated. But we were ignored. Our plea fell on deaf ears. Substantial reductions on hat bodies were put into effect. The first year following the reduction, 1948, foreign imports of fur felt hat bodies were equivalent to 7.2 percent of domestic production; the following year it jumped to 21.4 percent; during the first 6 months of 1950 it jumped to 30.5 percent; by the end of 1950, it was over 40 percent.

Our factories were shutting down, as we had predicated early in 1947 they would. Our workers were idle. They could not compete successfully with the workers of Czechoslovakia, whence half of these imports came, and where slave labor conditions prevailed. Nor could our manufacturers, who had to depend on their own resources and ingenuity, compete with the Czechoslovakian hat industry, which was nationalized and subsidized. Every time our manufacturers reduced, frequently at a loss, their prices in order to meet this competition, the Czechoslovakian industry, which had the Government's resources behind it, went below our prices.

I might say parenthetically that we, too, had to cut labor costs and at a time when living costs were rising we refrained from asking for

wage increases because we couldn't hope to meet this type of competition if labor costs went up.

Senator MALONE. Your own workers agreed to that cut in order to keep their jobs?

Mr. LEWIS. That is right. They could have maintained their previous wage standards, but they wouldn't have had any work. As it was, they kept losing ground.

Not only our workers and our industry suffered but the communities in which the hatting industry is important felt the pinch.

In 1950, when we could no longer resist the tide of imports which was engulfing us we appealed for relief under the escape clause. After a thorough investigation, our Tariff Commission declared—and I quote:

That as a result of unforeseen developments and of the effect of the tariff concessions granted thereby by the United States in the General Agreement on Tariffs and Trade * * *

these products—

* * * are being imported into the United States in such relatively increased quantities and under such conditions as to cause serious injury to the domestic industry producing like or directly competitive products, and as to threaten continuance of such injury.

The only point on which we disagreed in this paragraph is that what happened was the result of “unforeseen developments.” We foresaw them; we predicted them. They could have readily been foreseen by others.

On the basis of the Commission's report and recommendations the President of the United States restored the duties on hat bodies within certain price brackets. We obtained some relief and imports dropped but much damage had already been done. And the Relief proved to be temporary. The ratio of imports to domestic production has since climbed up to 27.1 percent. Moreover, a customs court on the application of the importers recently nullified this decision of the President because the Executive order which he signed contained a word which someone inserted and which distorted the meaning, and we may have to start all over again.

But what is particularly significant about the way the reciprocal trade program is being administered is that in spite of the fact that the Tariff Commission reports periodically to the President as to whether the conditions in our trade continue to warrant such relief as we have received, and that as recently as November 24, 1954, the Commission reported to the President that the conditions which prompted the relief still prevail, our Government has again placed fur felt hat bodies on the list of items to be considered for concessions at the present conference in Geneva. It is true that the items on the list are those in the higher price brackets, of which there are no substantial imports now. But in that case, of what benefit will this concession be to other countries?

In this connection, I want to refer to an argument which was used by the chairman of the House Ways and Means Committee during the debate on this bill in the other house. He said:

The studies show that where a product is in bad shape, it is not so much the tariff rate that is causing it, but normal changes in tastes and customs. The felt-hat industry has complained. Well, it is not the tariff that has hurt them. A lot of people have stopped wearing hats.

This strikes us as strange reasoning. It is true that many people do not wear hats. But it is also true that many millions of our people do wear hats. One reason they do is that both the men's hat industry and the ladies' hat industry have spent, over the years, and are spending now, millions of dollars for the promotion of the products made by these industries. Recently, our New York millinery union affiliate waived a request it had made for an additional 1 percent for the fund used to retire employees who have reached the age of 65 and decided that this money, which will yield approximately \$1,500,000 in the next 3 years, should be used to finance a campaign to promote the sale of ladies' hats. The increase of such sales should increase the earnings of our members.

But if the money expended by the millinery industry for this purpose, and the money which for many years the men's hat industry has been expending for a similar purpose, is to benefit not American workers but foreign producers instead, the question arises, why should we incur these expenditures? Why should we make these sacrifices to preserve and improve our industry while others who will have contributed nothing will come in for the benefits and the increased business?

Moreover, if an industry does suffer from normal changes in tastes and customs, such as our industry has suffered, is that any reason why it should be given another kick? There was a time when if an American industry was suffering from low wages and pauperized labor abroad, our Government would use its power to help it survive and grow and not give it another blow.

Furthermore, if it be true that people have ceased to wear hats, in what way will foreign manufacturers benefit from the concessions we give them? How will they be helped if nobody here wants to wear the products they make? In what way do concessions on such products promote world trade?

But the fact remains that such products are sent into our country and do hurt our workers and our industry. During the first 8 months of 1954, domestic production of fur-felt hat bodies amounted to 358,000 dozen. In addition, 97,000 dozen came in from abroad during the same period. It would have made a vital difference to our industry and to the workers who rely on us for a living if this number, which, on an annual basis, would probably amount to 125,000 dozen, could be made by American industry and by American workers.

What we are contending for, primarily, is not protection. That has long since gone out of the window even though those who enjoyed high protective duties in the years when they were building up their mass-production industries—industries which can now outsell the industries of any other country—are now the liberals, and we, who are trying to protect the livelihood of our workers, have, according to them and their spokesmen, become the protectionists and the reactionaries. All we seek is a change to survive.

What we are asking for as safeguards in pending tariff legislation is:

1. Selectivity: By that we mean that no industry should be wiped out by the stroke of somebody's pen. Let the facts in each case be given careful consideration, and the decision made on the merits of each case. We believe that the Tariff Commission is best qualified to make these studies instead of having it done by people to whom

facts and figures are only an encumbrance. Let those who make these studies take into account the fact that as they restrict our domestic industry there will be a corresponding drop in imports of raw materials. The net gain to world trade will be negligible. Some foreign producers would merely benefit at the expense of other foreign producers. Only our workers would be left holding the bag.

2. Equality of sacrifice: We know our country will not be able to make its full contribution to world stability and economic advancement without some sacrifices. When we give that help through economic aid there is some measure of equality of sacrifice. Our contribution in that case is derived from revenues raised in accordance with certain principles of taxation, based more or less on one's capacity to pay. But that is not true of aid given through tariff concessions. We still take more than 27 percent of our production from abroad. Let other industries—expanding industries—like the automobile industry, which doesn't take more than 1 percent of imports—if that much—show a disposition to make sacrifices. They can stand it better than we can and it will help foreign producers more than anything our industry can do to help.

3. Make concessions contingent on improved living standards: Much of the aid which we have given to other countries, and which was designed to help raise the living standards of the masses, so that they would be less receptive to Communist propaganda, has been wasted. It has gone in too many instances into the pockets of those who were on top and who have not permitted more than the merest trickle of it to reach the masses. Without attempting to dictate the political and economic systems of other people we ought to make some provision that our industries should not have to compete indefinitely with impoverished labor of other countries. If they remain impoverished because they are exploited by their own masters we will not have made them more invulnerable to communism. We will have wasted out substance, earned their enmity, and destroyed our industries. If we are to make any sacrifices for the common good, let such sacrifices lead to a high standard of living for the people on whose behalf these sacrifices are ostensibly made. In the interim, our people—referring to the people in our industry—want trade, not the aid which some advocates of this legislation are proposing for the victims of our reciprocal-trade program.

Thank you, Mr. Chairman.

Senator MALONE. You mean you want to produce for your own American market and do not want to go on aid such as unemployment insurance?

Mr. LEWIS. By "trade" I meant work, as distinguished from aid. It has been said if we go through with the reciprocal-trade program we will give more trade to foreign countries and therefore we won't have to give them so much economic aid. But the effect of that may very well be that our people may be taken out of trade and have to be given aid. That is one of the suggestions, put us on relief.

Senator MALONE. Do you know who invented that slogan—"Trade, not aid" for foreign nations?—I believe in trade not aid for our own American workers.

Mr. LEWIS. I am not sure.

Senator MALONE. In 1952 Chancellor of the Exchequer Butler, in England. Our New Dealers immediately started to mouth it.

Mr. LEWIS. I noticed yesterday in the New York Times, Mr. Chairman, that England is very much concerned that Japan is taking away their markets here. In other words, they want trade, but the trade for themselves, not world trade so much. I don't particularly blame them. But let us recognize the fact that England's first concern is England.

Senator MALONE. One of the things that has happened to Japan is that their trade is very limited with the Malayan States and the adjacent areas by virtue of Empire preferential rates of the colonial empire nations of England and France.

Mr. LEWIS. Within the Commonwealth?

Senator MALONE. Inside the Commonwealth; that is, to trade in anything the Commonwealth produces.

You said something there about your workers and producers being able to outsell foreign producers in spite of the lower wages. I didn't quite understand it.

Mr. LEWIS. No. What I intended to say was the raw materials used in our industry are bought in a world market. The price of these raw materials is the same for us and for the foreign producers. There isn't a great deal of variation in price. The only place the foreign producers can outbid us is on cheap labor. Labor is almost the only element on these costs in which they have an advantage over us. There is nothing we can do to overcome that.

Senator MALONE. I misunderstood you.

Are you consulted on these Geneva agreements; are you asked to give evidence in this regard?

Mr. LEWIS. The only evidence we gave, there were some hearings before the Committee on Reciprocity Information before the list of articles to be taken up at Geneva was compiled, but we are not called in on the conferences. We can only wait and hear what the verdict is.

Senator MALONE. The verdict is probably already rendered before you hear about it.

Mr. LEWIS. I shouldn't be surprised.

Senator MALONE. Is that the custom?

Mr. LEWIS. That has been the custom under the reciprocal-trade program.

Senator MALONE. Where did you get the words "reciprocal trade"?

Mr. LEWIS. I am adopting a phrase in common use.

Senator MALONE. Do you know where that came from? The London bankers invented that phrase, "reciprocal trade," 21 years ago, just like Chancellor of the Exchequer Butler invented the slogan "Trade, not aid." I guess what he really meant was trade and aid.

Do you represent the workers of your industry?

Mr. LEWIS. Yes; I am an officer of their union, the international union.

Senator MALONE. Do you also represent the industry itself?

Mr. LEWIS. In order to consolidate our testimony here, I was told by the executive director of the Hat Institute, who ordinarily appears, that I speak for the industry, too. I am the general secretary-treasurer of the International Union of United Hatters, Cap, and Millinery Workers.

Senator MALONE. Forty thousand workers?

Mr. LEWIS. Yes.

Senator MALONE. You represent 40,000 workers?

Mr. LEWIS. That is right.

Senator MALONE. It has always been a mystery to me, a great mystery, how you can persuade an American worker that it is good for him to transfer his job to some foreign nation and how it could be good for him to put it in the hands of an executive to trade his industry away. The CIO union—I unfortunately missed the CIO representative here. I intended to cross-examine him at some length. But he was here and just testified for this free-trade setup. What arguments are used to get some of these unions of workers to agree that the thing to do is to lower the duty, go over the cost differential?

Mr. LEWIS. As I see it, the argument in favor—

Senator MALONE. Most of it is due to wages, as you testified.

Mr. LEWIS. As I see it, the leaders of the unions that have appeared in favor of this program are largely from the mass-production industries. Take the automobile industry. They don't need so much protection by legislation. They are protected by virtue of their size, their mass-production techniques, and in a variety of ways. I remember some time ago appearing before Mr. Hoffman, who at that time was European Economic Administrator.

Senator MALONE. He is now back in his automobile business and building a factory in Japan where he can get labor for 19 cents an hour, and he lowered his wages in Ohio.

Mr. LEWIS. He said he couldn't understand why we were objecting to imports, which at that time were running more than 30 percent of domestic production. He said, "Take automobiles. I would let them send in as many as they can."

I said, "What is the percentage of imports here of automobiles in relation to domestic production?"

At that time it was a little over one-half of 1 percent. We were taking 30 percent. I said, "We will take 10 percent or 15 percent, but in a mass-production industry you are protected against foreign competition, so that regardless of tariff duties you can hold your own against the rest of the world."

As to the workers in these mass production industries, they figure that if there can be more trade, maybe the income of the people abroad will rise, as a result of which they will be able to buy more American automobiles. That is how a labor leader in that industry could justify reciprocal trade to benefit foreign producers.

Senator MALONE. Maybe it is beginning to open up a little bit. Aren't these the same American manufacturers that are putting the plants in over there, to a large extent?

Mr. LEWIS. Many of them are.

Senator MALONE. Mr. Hoffman is building the Studebaker plant in Japan. Mr. Ford has 26 plants outside of this country—assembly plants and manufacturing plants using this cheap labor. He has a \$1,300 foreign-made Ford in New York, a pretty good Ford. They charge over \$2,000 for the one produced in this country that I looked at downtown.

Mr. LEWIS. While the automobile workers are asking for a guaranteed wage, to which we have no objection, they are suggesting that we get aid. Maybe guaranteed aid, or relief. I don't know.

Senator MALONE. Maybe they will need the guaranteed wage if the same companies are in business abroad and ship the product made in foreign countries here and vice versa.

Mr. LEWIS. I think what they are proposing is self-defeating in the long run. They may see some temporary advantage, which I don't.

Senator MALONE. I wondered if you had the secret of it. I don't have it. I never thought I would live long enough to find a worker testifying that he agreed and wanted to bring about the very thing that could easily transport his job to foreign soil, paying anywhere from a fourth to one-tenth of the wages, because he can't go there.

Mr. LEWIS. Nor can we in our industries retrain our people. Since our industry isn't an expanding industry, not many young people over the years come into it. We have people 50, 55 years of age who wouldn't be able to find jobs even if they were retrained. All they can do is go on relief. Many of them have.

Senator MALONE. As they get old, you can just pass out of the business and we can import our hats.

Mr. LEWIS. Yes, that is what will probably happen. Younger people may not mind it, but people who have given a lifetime to this industry, whether as manufacturers or workers will mind it.

Senator MALONE. Is there any war industry or any production in wartime that you get into?

Mr. LEWIS. Yes, one part of our industry—that is the cap industry—we make the military headwear.

Senator MALONE. Is that a highly technical skill?

Mr. LEWIS. Fairly technical. We are worried now. Recently the Japanese cap industry has come to life and has begun to ship a good deal of their caps to the United States. They are not of the military type. But once they are able to make these caps there, they will be able to make the others, too. We are a great deal concerned. They are sending certain caps here that they sell for \$2.75 a gross, whereas here the labor cost alone on them is \$2.85.

Senator MALONE. What you are saying is that you are a real and material part of the domestic economy, and you think you have a right to exist as long as the cost to the consumer is not any more than the difference in the wage standard of living and taxes and other costs of doing business here and in the chief competing nation.

Mr. LEWIS. That is our position. It is our position too, as I have already indicated that foreign trade will not benefit from our destruction, because a good deal of the raw materials we use come from abroad. In the case of the straw-hat industry, I would say 90 per cent comes from abroad. The moment our straw-hat industry goes, then these raw materials are no longer needed. The foreign producers of one item benefit at the expense of the producers of another item. It doesn't materially increase the sum total. The sum total of world trade is simply shifted from one group of producers to another.

Senator MALONE. Now, do I understand you to say in your statement which I have had no chance to look over that you oppose the extension of this act?

Mr. LEWIS. We would oppose it. I haven't in my list of suggestions included that because I assume that we will not get that far. If we could end it, I would prefer it. In the absence of that, I propose certain other conditions or restrictions in the program which would, I think, mitigate the blow.

Senator MALONE. What restrictions could you put on it as long as it stayed in the State Department; that is to say, the Executive, but for all practical purposes in the State Department? I am very much interested in your reasoning in this. That allows GATT to flourish, it allows the International Materials Conference that the State Department set up to function, it allows the Assembly of the United Nations resolution setting up another worldwide trade organization, to function. Just how do you think you would limit it if you left it in the State Department?

Mr. LEWIS. As I say, I would rather, if it were possible, to have it ended. But if it weren't ended, I would insist that the Tariff Commission be the agency qualified to make the necessary investigations and recommendations and that it should not be left in the hands of the State Department.

Senator MALONE. They make the investigations now and make a recommendation, but as long as the present act is in effect and it is in the hands of the Executive (but for all practical purposes the State Department), the Tariff Commission is ineffective. Any recommendation it may make they may take or not, however they decide. But even if they take it and they make a 3-year agreement, which is in effect until it is canceled beyond the 3-year period, then by manipulation of their currency system that you have heard outlined here today, by exchange permits, by permits for imports, they can nullify the agreement before the ink is dry on it.

How do you think your recommendation will operate?

Mr. LEWIS. I am not an expert on tariff legislation, but I do know that when the present law was under consideration or the extension a year or so ago, that there was a proposal that the recommendations of the Tariff Commission be made binding on the President. The President would make the final decision.

Senator MALONE. Then he would make an agreement including this finding, which is where the tariff ought to be at that present moment. Any inflation or any deflation in either country changes the economic comparison and also by Executive order these countries can change the value of their money, or have additional permits, exchange permits or import permits, and nullify the agreement. What then?

Mr. LEWIS. Wouldn't that be true also in the final authority with Congress or an agent responsible to Congress, that certain duties would have to be established? If there were a devaluation of currency, the effect of these duties or their value would be impaired and we would be back in the same position, wouldn't we?

Senator MALONE. That is true, but the very next day they can take it up and fix another tariff up or down to make up for the change. In other words, it is not signed. It is not for any particular time. On their own motion the next day after such a devaluation, they could take it up again, or if the President or either House of the Congress or any interested party requests it. That is the tariff law, did you know that?

Mr. LEWIS. Yes.

Senator MALONE. Do you think that would be a better proposition than having a 3-year agreement that would be permanent unless the President gave notice of cancellation?

Mr. LEWIS. I would prefer it.

Senator MALONE. Have you ever studied this situation?

Mr. LEWIS. Probably not with the same thoroughness that Members of Congress have.

Senator MALONE. I wouldn't think—

Mr. LEWIS. I have studied the effects of what has been happening, though, because we have been very much affected by it.

Senator MALONE. And what you are testifying today, the purport of your testimony, is that you would like this act to expire on June 12 at midnight of this year?

Mr. LEWIS. That is right.

Senator MALONE. And revert to the Tariff Commission, an agent of Congress.

Mr. LEWIS. That is right.

Senator MALONE. I think that is one thing that has been wrong with industry and labor. I dislike to have to tell you this, but for 21 years you have all come in here with your hats in your hand, making some suggestion for what you think would be an improvement over a thing that is impossible to improve as long as it stays where it is, and assuming that nothing can be done about it. As a matter of fact, you are the boss of this outfit if you get down and look at it. You get a shot at us when we go home. If your workers, 40,000 workers, wanted to, they could do anything to a candidate they desired. If they just say that this thing is destroying us, and we want it changed, and say it so everybody can understand it, then other workers will take it up. But if you come in and say, we would just not like to be abolished entirely, and when you end your testimony you don't know where you stand, I don't think you are getting any place, do you?

Mr. LEWIS. We thought that politics like legislation is the art of the possible. We wanted to know how we can compromise and be saved at least partially, if not completely.

Senator MALONE. I didn't know anything about politics. I didn't know when I ran for office. This is the only one I ever ran for. I didn't know anything about politics. I still don't know anything about politics. I insisted upon coming here and the voters happened to see it that way. Every 6 years I am up there and if I make too many wrong decisions, it is their business to see to it that I don't come back. Every Senator and every Congressman has to do that. Every 2 years a Congressman goes home. If you don't understand it, how is he going to understand that he is in danger if he goes wrong on this thing?

Mr. LEWIS. We have tried to convince them as best we can. If we cannot get the ideal solution, we try to get as much protection as we possibly can.

Senator MALONE. Senators and Congressmen can get the constitutional solution, if they just sit still and do not pass anything, because it goes back to article I, section 8 of the Constitution, which says specifically that the Congress shall regulate foreign trade and foreign commerce and set the duties and tariffs. They created the Tariff Commission in 1930 to do that. It has never had an opportunity to function yet. The 1934 Trade Agreements Act pulled their teeth, and the Congress continually every 3 years passed the extension for another 3 years. In 1951 some of us were able to cut it to 2 years. In 1953 we cut it to 1 year. In 1954, even with the great Randall

Commission report, we still held it to 1 year without any change. Now it has come up this year and all we need to do is just sit still and it goes right back to the Tariff Commission, an agent of Congress, as you have heard explained here today.

Every article upon which there is no trade agreement reverts to the Tariff Commission 1 minute after midnight on June 12 this year, and they go to work on any product, on their own motion, on the request of nearly anybody, to arrange that duty or tariff to fit the differential cost that you heard explained.

The products on which trade agreements have been made remain in full force and effect until the President himself serves notice of cancellation on that particular country with which the trade agreement has been made. In 6 months that goes back to the Tariff Commission, and 40,000 workers can surely get the ear of the President.

Mr. LEWIS. That will be true if the present legislation is not extended. The impression that was created when this came up was that it was almost certain to pass, that there was an overwhelming majority for it. We entered this struggle. I appeared before the House Ways and Means Committee and many others did, and it got by by a very narrow margin. The impression was that this will be enacted if we sit still. So we thought we will try to improve it to the extent that it can be improved.

Senator MALONE. The history is over there, as I see it, that they lost by one vote on a motion to recommit. They lost by five votes or thereabouts—

Mr. LEWIS. Seven.

Senator MALONE. That was on a motion to recommit. The first one they lost by one vote, cloture. One vote the other way and it wouldn't have gotten cloture.

Mr. LEWIS. It took a great deal of pressure from a number of people, including the Speaker of the House.

Senator MALONE. Then they knew it was going to pass and many of them voted in the avalanche. It wasn't too much of a majority at that. We vote on it here and many people in Congress regret that they voted the way they did. If you take the attitude that just because you read in the newspapers that somebody says it is going to pass—I don't take that attitude. A fight is a fight until the bell rings.

Mr. LEWIS. We were in there fighting.

Senator MALONE. You can't be hurt worse than you are now, and are going to be hurt by future agreements. I didn't get from your testimony that you are very positive. I get now that you are positive, if there is a chance to defeat it.

Mr. LEWIS. We want to defeat it.

Senator MALONE. Give your workers our best regards and stay with it. If you do that, we may lick it this year. Are you aware that a suit has been filed on the constitutionality of this act?

Mr. LEWIS. I was aware of that. I received on Friday your remarks on it.

Senator MALONE. How many organizations do you have in your industrial setup?

Mr. LEWIS. We had about 12 or 13 unions of the A. F. of L., in an American wage earners protective league. Those were the organizations primarily affected by tariff legislation.

Senator MALONE. How many companies make up all this production?

Mr. LEWIS. I wouldn't know, except from our own. We have about 70 or 80 in our industry.

Senator MALONE. Do you know that 70 or 80 industries in these 13 unions can come in as friends of the court? I am advised all they have to do is come in as friends of the court and file a brief.

Mr. LEWIS. We are affiliated with this National Committee on Foreign Trade Policy, headed by Mr. Strackbein.

Senator MALONE. It doesn't matter to me with whom you are affiliated.

Mr. LEWIS. It should be done through them. There are many others besides us affiliated with them.

Senator MALONE. It wouldn't make any difference to me or to the court who you are affiliated with. If you file your brief you are in.

Mr. LEWIS. How much time do you have for filing the brief?

Senator MALONE. I guess you will have considerable time. If you get into that right away you might have some affect on this business.

Mr. LEWIS. I will get in touch with Mr. Strackbein right away.

Senator MALONE. In that tearsheet you are quoting from, the name of the attorney, the name of the company, the whole thing is listed. If you really seriously want to fight this thing, a fight is a fight, and I want to say to you that I think this President of the United States is one of the finest men I ever met, but I don't think he is doing this thing. I don't think he understands the harm that is really done and will be done to industry if it is kept up. There are three branches of Government. There were when we started out, according to Ben Franklin and George Washington. Those are the executive, to administer the laws, and the Congress to make the laws, and the judiciary to determine their constitutionality. I think they ought to stay in their own business, myself.

Mr. LEWIS. I think there has been a little trespassing.

Senator MALONE. I think you will only be showing the independence that you ought to have by making your position known in the court.

Mr. LEWIS. We will do our part, Mr. Chairman.

Senator MALONE. You haven't so far.

Thank you.

Mr. LEWIS. Thank you.

Senator MALONE. The next witness is Mr. Richard A. Tilden, general counsel, Clothespin Manufacturers of America.

STATEMENT OF RICHARD A. TILDEN, GENERAL COUNSEL, CLOTHESPIN MANUFACTURERS OF AMERICA

Mr. TILDEN. Mr. Chairman, in view of the lateness of the hour—

Senator MALONE. It is not late.

Mr. TILDEN. I will be glad to submit the statement unread.

Senator MALONE. I would be glad if you would go through that statement in great detail, and I intend to question you about it. If you have anything more important to do, you can turn your statement in.

Mr. TILDEN. I will be delighted to read it, Mr. Chairman.

I am appearing on behalf of the Clothespin Manufacturers of America, a trade association representing manufacturers of 100 percent of all wooden clothespins produced in the United States.

The 6-year struggle of the clothespin industry for effective tariff protection is on record with this committee and the House Committee on Ways and Means and no useful purpose could be accomplished by my repeating it.

Senator MALONE. Let's get at this. I did not hear your testimony in the House. Where is it on the record?

Mr. TILDEN. It is on the record beginning at page 1978.

Senator MALONE. It is not on this record yet.

Mr. TILDEN. It is on the record in the House Ways and Means Committee, and we were informed there was to be no repetition of testimony before this hearing.

Senator MALONE. I want to question you on this statement. You say you represent a hundred percent of all wooden clothespin manufacturers in the United States. How many of these manufacturers are there?

Mr. TILDEN. There are a total of eight manufacturers.

Senator MALONE. Where are they located?

Mr. TILDEN. There are 3 in Maine, 2 in Vermont, 1 in West Virginia, 1 in Indiana, 1 in Michigan. I believe that is a total of 8.

Senator MALONE. How many people do they employ?

Mr. TILDEN. Approximately 650.

Senator MALONE. You mean all of these?

Mr. TILDEN. Total. It is a very, very small industry.

Senator MALONE. They do employ 650 people at this time?

Mr. TILDEN. That is my recollection of the latest figures.

Senator MALONE. Is that a reduction of prior employment?

Mr. TILDEN. That is a reduction of 40 percent.

Senator MALONE. In other words, you did have about eight or nine hundred employed?

Mr. TILDEN. That is right.

Senator MALONE. In these areas described?

Mr. TILDEN. That is right, sir.

Senator MALONE. Go ahead.

Mr. TILDEN. It is sufficient to state that the industry has had 3 Tariff Commission investigations, during the course of which employment in the production of spring clothespins dropped 40 percent, a third of the plants were forced to close, and all those still in business wound up in the red.

Senator MALONE. Are these eight still in business, and these others that were closed—

Mr. TILDEN. I should explain, Mr. Chairman, that 1 company in 1947-48 operated 3 plants, 1 in Virginia, 2 in the State of Maine. It has had to close two of those plants, the Virginia plant and the one at Phillips, Maine. They are still operating a plant at Dixfield. The one in Michigan has also closed down in the last year or so. So there are actually only seven in operation. There was one in California that closed down a few years ago, all as a result of importations.

Senator MALONE. Will the remaining seven be in danger?

Mr. TILDEN. They are very much in danger.

Senator MALONE. Are they in danger to the extent that they are just hanging on to find out if something will be done about it?

Mr. TILDEN. They have been operating in the red now for nearly 3 years, all of them—the ones that remain in business. We have gone through three Tariff Commission investigations. The final outcome was that three Commissioners found that the industry was being seriously injured. Any relief, however, was denied by the President.

Senator MALONE. Do you describe here in your statement just how you were injured and by whom?

Mr. TILDEN. I do not in detail; no. That was included in my statement to the House.

Senator MALONE. How are you injured, and who is doing the injuring?

Mr. TILDEN. The injury results from the fact that prior to World War II the imports of spring clothespins were in the neighborhood of 20,000 gross per year.

Senator MALONE. What year?

Mr. TILDEN. Prior to 1941, the beginning of World War II.

Senator MALONE. What were the imports?

Mr. TILDEN. Approximately 20,000 gross per year. That was the greatest quantity ever imported. In 1943 a trade agreement was entered into with Mexico under which the import duty was reduced to 10 cents per gross from a previous duty of 20 cents per gross.

Senator MALONE. Reduced to 10 cents?

Mr. TILDEN. That is right. It was cut in half.

Senator MALONE. A gross is—

Mr. TILDEN. 144 pins.

Senator MALONE. 144 pins?

Mr. TILDEN. That is right.

Senator MALONE. I see.

Mr. TILDEN. Following the world war—of course, during the war there were practically no imports and also practically no domestic production.

Senator MALONE. This was in 1942—

Mr. TILDEN. 1943. The concession was granted to Mexico in 1943. During the war the domestic industry had no opportunity to produce spring clothespins because it could not obtain wire.

Senator MALONE. Is Mexico your chief competition?

Mr. TILDEN. It never had been in the past. It became the chief competition immediately following the war.

Senator MALONE. This is World War II?

Mr. TILDEN. Yes.

Senator MALONE. That would be 1946, then?

Mr. TILDEN. It was prior to 1946, beginning, I believe, in 1945, while wire supplies were not available to domestic manufacturers. Wire was shipped to Mexico for use in manufacturing clothespins. Those clothespins in turn were shipped back to the United States.

Senator MALONE. Was the wire not available to the domestic industry?

Mr. TILDEN. No; it was not.

Senator MALONE. Why was it not available?

Mr. TILDEN. There were regulations of the War Production Board prohibiting use of wire for the manufacture of spring clothespins. So the result was that in 1945 or 1946—I cannot recall the exact year—

something over 3 million gross were imported from Mexico to this country. Since that time Mexico has not exported clothespins to this country in any substantial quantity; however, imports have been coming in from Sweden and Denmark primarily.

Senator MALONE. Sweden and Denmark, were those your main competition prior to the war?

Mr. TILDEN. Yes; they were.

Senator MALONE. At that time they were your chief competitors?

Mr. TILDEN. They were our chief competition but they amounted, as I pointed out, to only 20,000 gross a year, so it was insignificant.

Senator MALONE. And when the war was over, they began to become competitors, and during the war and immediately following the competition increased; is that right?

Mr. TILDEN. That is right. Approximately 1 million gross a year are now coming in from Sweden and Denmark.

Senator MALONE. How many?

Mr. TILDEN. In the neighborhood of 1 million. The latest figure is 1,100,000 gross in 1954. That, of course, compares with approximately 20,000 gross prior to World War II and prior to the concession.

Senator MALONE. Mexico seems to be a competitor with Sweden and Denmark.

Mr. TILDEN. That is right.

Senator MALONE. But if they really got going, Mexico is no match for them?

Mr. TILDEN. As I understand, Mexico became a factor in it only because they had the steel. There was a tremendous demand for spring clothespins in this country, due to the fact that we could neither import nor make them during the war.

Senator MALONE. And price was not a factor.

Mr. TILDEN. That is right, and they put out a very poor quality pin.

Senator MALONE. But they were using American wire?

Mr. TILDEN. They were using American wire and their exports to this country were only for approximately a 1-year period, but they flooded it with over 3 million gross during that 1 year.

Senator MALONE. Because you could not get the wire and the Mexicans could?

Mr. TILDEN. That is correct.

Now, do you want me to go ahead with this statement, or offhand condense it?

Senator MALONE. I do want something in the record, something about the situation. There is no use going on developing something that nobody is going to understand, if you pick up in your statement—

Mr. TILDEN. Well, the statement is on a slightly different point, but I will carry on, if I may, on the point where we just left off.

As I tried to say, we had a situation where imports increased from approximately 20,000 gross before the concession to a current importation of approximately 1 million gross.

That represents about 28 percent of the total domestic consumption. It also represents about 37 percent of the domestic production; that is, the current imports do.

That again compares with less than 1 percent of the domestic consumption taken up by imports prior to the concession. The greatest

effect, however, has been in the fact that the domestic producers have had to hold their prices down to the absolute lowest level possible, in order to maintain any share of the domestic market, with the result that they have had to sell their pins at prices that do not reflect a profit and in most cases reflect an actual loss, in order to retain any share at all of the domestic market.

All of these facts were pointed out in great detail on three different occasions to the Tariff Commission. We finally got a 3-3 decision in the Tariff Commission that we were being seriously injured. That was in, I believe, October of last year.

The President denied any relief, primarily on the ground that he did not consider that the troubles of the clothespin industry were due solely to imports. He pointed to the fact that domestic demand for clothespins had been greatly reduced due to automatic dryers, increased use of laundromats and commercial laundries. He pointed out all of these various factors which he felt caused the trouble to the domestic industry.

But he did not recognize the fact that the reduction in the domestic demand resulting from these various factors made the effect of the imports that much greater, intensified that effect, and made the domestic market, the remaining domestic market, that much more important to the domestic industry.

Those, in a nutshell, are the basic facts upon which the domestic industry applied to the Tariff Commission and that is what happened.

Senator MALONE. Well, now, the situation as you describe it today is that more of these companies will go out of business unless you have some relief?

Mr. TILDEN. That is inevitable.

Senator MALONE. Would you say all?

Mr. TILDEN. I think unquestionably they all will, unless relief is granted in the reasonably near future.

Senator MALONE. In the areas of Denmark and Sweden, what are the wages compared to your wages?

Mr. TILDEN. The best information we have is that the wages in Sweden will run about, the latest figure that I heard was 57 cents per hour, and our wages are averaging about \$1.25 an hour.

In Denmark, they have a rather peculiar situation, in that it was determined that most of or at least a large percentage of the spring clothespins that were sent to the United States by Denmark over some period of time were produced by prison labor. I have no information as to the exact amount that the prison laborer was paid, but I understand it was something in the neighborhood of 30 or 40 cents a day.

As the result of representations made by the industry, the State Department, I believe, obtained assurances that they would discontinue that practice.

Senator MALONE. Now, with reference to the slotted clothespins, do you make those?

Mr. TILDEN. Yes; the slotted pins are made by the same manufacturers. There are 1 or 2 of the spring clothespin manufacturers who do not make standard pins, and there are 1 or 2 standard-pin manufacturers who do not make spring pins, but both are in the association, and I represent both groups.

Senator MALONE. You represent the workers, too?

Mr. TILDEN. Not directly.

Senator MALONE. You do not?

Mr. TILDEN. I represent the association of the domestic manufacturers.

Senator MALONE. You say "not directly."

Mr. TILDEN. I feel that indirectly I am representing them, Mr. Chairman, since the appeal that I am making and the work that the industry has done in trying to get relief is designed to protect the jobs of the workers, so indirectly I might say that I am representing them, too.

Senator MALONE. In other words, if you go out of business or the companies do, then they are automatically out?

Mr. TILDEN. That is correct.

Senator MALONE. Now, concerning the importance of the industry, is there anything very important about the clothespin industry? Would it make very much difference that they were unavailable during the war?

Mr. TILDEN. Well, during the last war, there were a great many women, housewives, throughout the country who were quite concerned over the fact that they did not have pins to hang up their diapers and clothing on their clotheslines.

It is a rather insignificant item, true, but it certainly is an essential item to the housewife who has to do her own laundry.

Senator MALONE. And I gather that in the area where these clothespins are manufactured it is an important part of the economy.

Mr. TILDEN. That is correct.

Senator MALONE. Well, will you tell us something about the importance of it to the economy, the number of workers does not seem to be too large. Just how does it fit in, in the area?

Mr. TILDEN. I am very glad you asked that, Mr. Chairman, because that is a very important feature in this industry.

Most of our plants are located in very, very small towns.

Let me give you one example, of Phillips, Maine, where the Diamond Match Co. had a plant which operated for a great many years, producing spring clothespins.

They employed as many as 200 people in that plant at various times, and they were forced to close that plant. It is the only industrial plant in the town of Phillips. I believe the closest town is some 30 or 40 miles away, and there is no other place of employment or possibility of employment within the town. It has become practically a ghost town, and yet there were many, many people that worked for the Diamond Match Co., in that plant for many, many years, and it was their sole source of livelihood and practically the town's sole source of livelihood.

That is also true in Mattawamkeag and in the little town of West Paris. It is 1 of about 3 very small businesses operated in West Paris. It is, to a certain extent, true of practically all the other small towns in which plants are located.

The operation of these plants also has a very direct effect on the small farmers located in the areas surrounding these plants, who furnish wood to the plant.

As you may know, in the State of Maine particularly, a great deal of the woodland is owned by small farmers and about the only source

of hard money that they have is the sale of small quantities of wood from their wood lots. If clothespin plants are forced to close down, it cuts off the market for this raw material.

Senator MALONE. What kind of wood is it?

Mr. TILDEN. It is almost entirely birch, although some hard maple is used.

Senator MALONE. I heard Senator Smith, of Maine, describe exactly what you are talking about before this committee, it may be 4 or 5 years ago.

Mr. TILDEN. That is correct.

Senator MALONE. I was not on the committee then, but that was what they were talking about, the importance of it to their community.

Mr. TILDEN. That is correct.

Senator MALONE. Well, now, how about taking those workers away and turning those workers to other jobs? How successful do you think that would be?

Mr. TILDEN. Well, if you force a family that has lived in a small town in Maine all of its life and is used to that type of life, to move to Detroit or some place else, where there are job opportunities, it might be possible to subsidize it to the extent of paying the expenses of the move and getting established. However, it would be an expensive proposition, and then I do not think that the people would be very happy.

These clothespin workers have their roots in a small town in Maine and do not want to move some place else. There are no other industries within the State of Maine that can absorb them. Also, as had been testified before this committee, imports have had a bad effect on textiles, on woolen mills, and on various other wood products other than clothespins, and all of those effects within the State of Maine have cut down on employment opportunities.

Senator MALONE. Now, as I understand your testimony, then, what you would like to see is to reverse the State Department or the Chief Executive, technically, although as I understand it, the State Department spearheaded it. If this act expires June 12, what do you feel your position would be?

Mr. TILDEN. Well, I am concerned at the moment with a small industry which has been injured by an existing concession, and it is my understanding that if this act were allowed to expire, as to items on which there is an existing trade agreement we would be dependent entirely upon the President revoking or canceling the trade agreement before we could ever get back under section 336—

Senator MALONE. Well, whom are you dependent on now?

Mr. TILDEN. We are dependent on the President now, but I would recommend that some teeth be put in the escape clause.

Senator MALONE. What do you think your chances are?

Mr. TILDEN. Well, as a matter of practicality, as far as getting it through this Congress, my feeling is that the best we can hope for is to require the President to accept the findings as to the existence of injury, made by the Tariff Commission.

Senator MALONE. And what makes you think you can get that through?

Mr. TILDEN. You can always hope, and I have one further recommendation on that in a moment—and then permit the President to disregard the recommendations of the Tariff Commission only if

he can justify doing so in the national interest, or in the interest of national security or national defense.

Senator MALONE. How about the betterment of the economy?

Mr. TILDEN. Well, I have no particular word for it, Senator, except I feel he should be in a position of having to justify the sacrifice of a domestic industry on the basis of very valid national interests.

Senator MALONE. Well, we have that now. In other words, all he has to do is to say, "This is in the national interest, and we go along with the State Department suggestion. Congress may take care of you some other way."

Mr. TILDEN. There is a slight distinction there, in my opinion, Senator, that at the present time the President has at least assumed or interpreted the existing act as permitting him to make the final determination as to the existence of injury.

Senator MALONE. Yes.

Mr. TILDEN. And as far as I can recall, he has never admitted that an industry which he failed to protect had been injured. In other words, in every case he finds there is no injury.

Now, if he were forced to admit that an industry had been injured, then it would be much more difficult for him to justify refusing to follow the recommendations for relief made by the Tariff Commission.

Senator MALONE. And just how are you going about forcing the President to admit that any injury is done to the community?

Mr. TILDEN. To the community or the industry?

Senator MALONE. To the industry.

Mr. TILDEN. By amending the act to specifically provide that the findings as to the existence of injury made by the Tariff Commission shall be final and binding on the President.

Then I would go a step further. I would amend the standards established by the act for the determination of injury. I would tighten those up to spell out in more detail the type of findings which would have to be made, the factors which would have to be considered, in determining the existence of injury.

Attached to the written statement I have prepared is a suggested revision of section 7 (b) and section 7 (c), which I feel will greatly help domestic industry to establish a case of injury, and which will force the President to accept those findings as final.

Senator MALONE. As a matter of fact, it asserts exactly what you have. In other words, under the Tariff Act, the Tariff Commission has the sole authority in the determination of that, and the President's authority remains until by Executive order there is cancellation.

Mr. TILDEN. Well, I wonder whether the President would be justified in canceling an agreement, even though he recognized that it was injuring the clothespin industry, an agreement probably covering hundreds of other items—

Senator MALONE. And probably hundreds of other items are injured just as much as clothespins.

Mr. TILDEN. That may be, but my feeling on it is this, Mr. Chairman, that with proper safeguards for determination as to the existence of injury established by the act and with the Tariff Commission given final authority on the determination as to the existence of injury, my little industry will be in a better position to get relief than

it would be if the entire Trade Agreement Act went out of existence and we were dependent on the President canceling the trade agreement itself.

Senator MALONE. I wonder if it is not about time that we start thinking about the United States of America, and not just about our own industries, and maybe that is the thing—everybody comes in for a little bite for his industry, regardless of what happens to the Nation.

Let me ask you another question: You understand as long as this stands in the hands of the State Department or the Executive, that the general agreement or trade tariff still operates—you understand that?

Mr. TILDEN. I understand.

Senator MALONE. But if in the General Agreement on Tariffs and Trade they take all these bites out for all of those industries, that falls of its own weight, you understand that?

Mr. TILDEN. I understand.

Senator MALONE. Now, the United Nations, after the resolution creating other worldwide organizations to distribute the markets of this Nation, in accordance with the ideas of the members of that organization—

Mr. TILDEN. I have heard of that; yes.

Senator MALONE. That also falls, doesn't it, and goes back to the Tariff Commission on the definite principle laid down?

Mr. TILDEN. I would assume it would.

Senator MALONE. Do you think it would be a good idea to get rid of all of these extraneous organizations to whom, while you sleep, you loan your duties—

Mr. TILDEN. Let me put it this way, Senator. I don't know enough about the functions of these various organizations to say that we should throw them out. I do say this, though, that we should not become parties to them without the approval of Congress.

Senator MALONE. You are parties to them already, and we have had these fellows coming before the committee meetings, and they were in because they were fighting the United Nations Charter, and they would stop the State Department from making any further agreement that stops any organization operating under it from continuing their operation, and that is the reason they are so frantic to get at least 1 year's extension, when it comes right down to the last analysis, but as long as men like you come in and say, "We will get along all right, if we have this little amendment," and somebody else comes in and says he can get along with another amendment—and we heard today other amendments—by the time they get through everybody throws up his hands and says, "Give it to them." That has been going on for 21 years.

Mr. TILDEN. Well, Senator, may I call your attention to the fact that this is a very, very small industry, and despite the smallness of the size, we have made three presentations to the Tariff Commission. I have appeared before a number of hearings by the Senate Finance Committee and the Ways and Means Committee during the last 6 or 7 years, and we have done everything we possibly can to get additional protection.

When I say that I am recommending something less than you are suggesting, it is because I feel from a practical standpoint that is all

we can hope for in this session of Congress. Maybe I am wrong. I am judging a great deal on what I hear and what I read.

Senator MALONE. You mean in this newspaper column and on the radio?

Mr. TILDEN. That is the reason I feel that we are not asking for something for clothespins alone—anything we can get is better than nothing—what I am afraid of is that if we don't come and ask for something halfway reasonable or halfway acceptable to the administration, we will not get anything. We will get exactly what H. R. 1 provides, and certainly strengthening the escape-clause provisions along the general lines I suggested is far better than ending up with H. R. 1 in its present form.

Senator MALONE. My personal opinion is that industry has brought this down upon themselves by their own actions in 21 years. You are heading for it in the future, and your men will be where they have been headed for all along, and that is back on the farm.

Mr. TILDEN. I think that is quite possible, Senator, but I have a rather strong feeling—

Senator MALONE. Go ahead with your statement and let us see what you do suggest. I think you will get about what you deserve when you get through, and that is unemployment, because you really are—this is what I wanted to find out, and I have found out—you really are against the act. You would rather have it expire—but you don't think you could get it by what you read in the newspaper columns and by listening to the radio and the television, so you come in and complicate it further by a couple of amendments that you have about as much chance of getting as flying to Europe without an airplane.

Mr. TILDEN. You make me feel very discouraged about the proposition.

Senator MALONE. I think you ought to know the truth, but it has been that way for 21 years. You have been coming for how long?

Mr. TILDEN. About 6 years.

Senator MALONE. Well, you are young yet.

Go ahead.

Mr. TILDEN. There has been no controversy on the need for escape clause protection of American industries against crippling duty reductions under the powers delegated to the President, now proposed to be renewed and expanded.

Actually, Senator, I have covered 1 or 2 of these points. There will be some repetition.

Senator MALONE. Well, I think I have your story, but I would like to have you read it into the record.

Mr. TILDEN. All right.

The administration concedes its desirability and the President, by letter dated February 17, 1955, to House Minority Leader Martin, stated categorically, "No American industry will be placed in jeopardy by the administration of this measure."

Senator MALONE. Do you think when he wrote that your industry was already in jeopardy?

Mr. TILDEN. I don't think the President did, no.

Senator MALONE. I don't, either.

Well, how do you think he is going to be informed?

Mr. TILDEN. I think that he will be informed if this Congress will enact the type of safeguards I have recommended. He will then

recognize that Congress wants real protection for domestic industry.

Since serious injury is tantamount to jeopardy, the President's statement is a clear commitment to take what steps may be necessary to relieve any industry so injured.

Senator MALONE. Have you ever read any statements by prior Presidents along this line?

Mr. TILDEN. Yes, I have.

Senator MALONE. What did they say?

Mr. TILDEN. I cannot recall the exact wording, but my recollection is that President Truman on several occasions made it very plain that he would not permit this act to endanger or place any industry in jeopardy.

Senator MALONE. And he never found it out?

Mr. TILDEN. No.

Senator MALONE. And did any President ever find it out?

Mr. TILDEN. Not to my knowledge.

Senator MALONE. All right. Go ahead.

Mr. TILDEN. Thus all are agreed on escape clause protection and the only problem is in defining what constitutes serious injury. My purpose is to demonstrate that (1) the existing standards for determining injury are inadequate and (2) the final determination as to the existence of injury should be made by the Tariff Commission.

My recent statement to the Ways and Means Committee pointed out a number of respects in which the injury standards established by Congress are being so interpreted as to nullify the effectiveness of the escape clause safeguards. For evidence supplementing that which I shall give here, I refer this committee to page 1978 of the record of testimony before the Ways and Means Committee.

Senator MALONE. Do you have that testimony with you?

Mr. TILDEN. Yes. I do have copies available.

Senator MALONE. I have no way of knowing what that is unless you will take the time to read that testimony.

Mr. TILDEN. If you want, I can.

Senator MALONE. Well, I am sitting here 8 hours a day to find out what you fellows think.

Mr. TILDEN. Well, I was attempting to comply with the rules of the committee. I was told that no repetition was permitted.

Senator MALONE. I would have brought it out on cross-examination, anyway.

Mr. TILDEN. Here is the statement and a supplementary statement which I submitted to the Ways and Means Committee (handing documents to Senator Malone).

Senator MALONE. Well, what parts are not included in the statement you are going to make here?

Mr. TILDEN. I would say that the statement I am making here is quite different. I have listed a number of individual situations in which the act has not been interpreted as I feel it should be, and has not been applied as I feel Congress intended it to be applied.

Senator MALONE. Are you sure what Congress intended?

Mr. TILDEN. No, but I can guess. I can estimate what it intended on the basis of the language it used. I tried in those statements to the Ways and Means Committee to set forth my reasons for feeling that the intent of Congress was not being carried out in the interpretation of the existing act.

Senator MALONE. Well, will you just segregate the parts not included in your testimony here and read them?

Mr. TILDEN. Do you want me to do that at this point or at the end?

Senator MALONE. Whenever you want, whenever you think it will make sense.

Mr. TILDEN. Suppose I finish my present statement then, Senator.

Senator MALONE. All right.

Mr. TILDEN. Then I can add the additional points covered in this other statement.

Senator MALONE. All right.

Mr. TILDEN. The most convincing evidence is the fact that relief is not available to any industry that has troubles in addition to imports. Where difficulties result from a combination of increased imports and other competitive factors, relief is consistently denied. For example, in the tobacco pipe case, where the Tariff Commission unanimously found serious injury, the President refused relief on the primary ground that imports were not the sole cause. In his letter of November 19, 1953, to this committee the President acknowledged that imports had increased, but pointed out that total consumption had decreased, stating, "it seems apparent that the major part of this loss has been due to decline in consumer demand."

In the wood screw case the President stated, "This decline in late years has stemmed not from imports, but mainly from an increasing use of materials other than wood." In the spring clothespin case the President placed great emphasis on the statement that growing use of automatic driers, Laundromats, et cetera, had resulted in a decline in the use of clothespins.

This policy of denying relief where there are contributing factors other than imports was clearly stated by three of the Tariff Commissioners in the clothespin case. They interpreted section 7 (a) as literally meaning that "increased imports must in and of themselves be found to be the cause or threat of serious injury before a recommendation for 'escape' action can be justified." This significant interpretation, and the President's decisions to which I have referred, completely ignore the economic fact of life that an industry weakened by domestic difficulties is all the more vulnerable to import competition.

For illustration, suppose the normal domestic market for a particular item has declined from 10 million to 8 million units; that the domestic industry which formerly supplied the entire 10 million units now supplies only 6 million, with imports providing the remaining 2 million units of the curtailed demand. Under the crippling interpretation I have outlined, there would be no relief whatever for the domestic industry since imports were not the sole cause of its troubles, despite the fact that the shrunken market intensified the effect of those imports.

Now, inevitably there are many things that can injure an industry—strikes, shortages, increased domestic competition, price wars, and many more. These plagues are present to a degree in every ailing business. If import must be shown to be the sole cause of distress, few if any industries can ever qualify for relief.

Such an interpretation appears to be directly contrary to the express wording of the law. Section 7 (b) sets forth a number of factors which the Tariff Commission is required to take into con-

sideration, "without excluding other factors." Since increased imports are only one of these, it can scarcely be contended they were meant to be the sole factor to be considered.

Yet the present act has repeatedly been so interpreted and applied. There is urgent need for revision of section 7 (b) to make clear Congress' intention that a domestic industry is to be considered in jeopardy where increased imports have been a contributing factor to the injury. Accompanying the filed statement of these remarks is my suggested rewording to accomplish this and a number of other clarifications described in my statement to the Ways and Means Committee.

Senator MALONE. Do you want to insert your suggested changes?

Mr. TILDEN. They are attached to the statement. Do you want me to read them?

Senator MALONE. I think it would be a good idea.

Mr. TILDEN. Section 5—

Senator MALONE. Where is that?

Mr. TILDEN. This appears in the next to the last page of the written statement under the title "Suggested Additions to H. R. 1."

Senator MALONE. And will you read that?

Mr. TILDEN. I would suggest that section 5 be added to read as follows:

Subsection (b) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364 (b)), is hereby amended to read as follows:

"(b) In arriving at a determination in the foregoing procedure, the Tariff Commission, without excluding other evidences of injury, shall consider as evidence of injury the existence or likely occurrence of any of the following factors: a downward trend of production, employment, prices, profits, or wages in the domestic industry concerned; a decline in sales; an increase in imports over a representative period prior to the concession or an increase in imports over any representative period after the concession, either actual or relative to domestic production; a higher or growing inventory; a decline in the proportion of the domestic market supplied by domestic producers; and higher domestic costs for labor and raw materials than those of foreign producers. Increased imports, either actual or relative, shall be considered as the cause or threat of serious injury to the domestic industry producing like or directly competitive products, when the Commission finds that such increased imports have been a contributing factor to the serious injury or threat of injury to such industry. The term 'domestic industry producing like or directly competitive products' as used in this act shall mean that portion of the producing organizations manufacturing, processing, growing, or otherwise producing like or directly competitive products."

That ends the quotation of the suggested rewording of subsection (b).

The suggested subsection (c) which immediately follows here, I would like to read later, after I have pointed out the reasons for it.

Senator MALONE. All right.

Mr. TILDEN. My second and final point is that Tariff Commission findings as to the existence of injury should be final. I believe it is safe to say that Congress so intended in enacting section 7 of the act. The act designates the Tariff Commission as the agency to make investigations, hold hearings, and determine the effect on domestic industries of increased imports. It spells out the factors the Commission must consider in making this determination and authorizes the President "to make such adjustments in the rates of duty, impose such quotas, or make such other modifications as are found and reported by the Commission to be necessary to prevent or remedy serious

injury." It does not authorize the President to make such adjustments, et cetera, as are found by him to be necessary. The fact that the President is not required to follow the recommendations of the Commission does not indicate an intent that he be permitted to make the final determination as to existence of injury. On the contrary, it merely recognizes that the President would be informed as to international considerations bearing on whether it would be in the national interest to follow the Commission's recommendations, and permits him to disregard those recommendations where such considerations outweigh the need for relief to a particular industry.

Senator MALONE. You would take away from the President by an amendment the right to consider the overall Nation or the overall economy in this Nation?

Mr. TILDEN. No, I would not, Senator. Under my recommendation you would not take that away from him.

Senator MALONE. What would you do with—

Mr. TILDEN. You would give him the right to disregard the recommendations of the Tariff Commission where he finds it to be in the national interest to do so, but you would require him, in effect, to admit that in doing so he is sacrificing a domestic industry.

Senator MALONE. Well, of course, when you sacrifice it, then everybody in the United States knows it, whether or not he wishes it, so what good does it do you? Everybody knows it.

Mr. TILDEN. Well, I am inclined to think that he would be a little bit reluctant to say that. I am satisfied, Senator, that the President is not now aware of the actual existence of injury in any of these individual cases, but he is basing his decisions, in effect to sacrifice those industries, on the fact that he has been informed by the State Department that there has been no injury to these individual industries.

Senator MALONE. Well, disregarding the so-called peril point that the Tariff Commission recommends, it is already in the law—

Mr. TILDEN. That is right. But he would still have to explain to Congress. He would be told by Congress, "You have to accept the word of the Tariff Commission on the existence of injury, rather than that of the State Department."

Senator MALONE. But he would not have to accept what the Tariff Commission recommended if he found that the overall national economy or the overall political situation, in his opinion—

Mr. TILDEN. I fully recognize that my recommendation would result in his still having the power to sacrifice domestic industry.

Now, I am not saying that I approve in any instance of his sacrificing a domestic industry, but I am saying this, Senator. Under the Trade Agreements Act it is inevitable that there will be sacrifices of domestic industry. I would like to force the President to acknowledge that fact and come to the Congress and say, "I am sorry I had to sacrifice that industry, but here are the reasons I had to do it," rather than permit him to come to the Congress and say, "The reason I did not follow the recommendations of the Tariff Commission in this case is because my staff dug up some new facts that the Tariff Commission knew nothing about, and they presented it to me and satisfied me that this industry is not being injured."

Senator MALONE. Well, go ahead.

Mr. TILDEN. I can see that I am not creating much of an impression.

Senator MALONE. Well, I think that that is what is the matter with

your industry. Every industry in the United States has taken your attitude for 21 years, and you ought to be hurt, until you make up your minds to come in and ask for what you want and what is reasonable. I have no sympathy for you, myself.

Go ahead.

Mr. TILDEN. Notwithstanding this obvious intent of Congress, the President has consistently had his staff make independent findings of fact, usually concluding that the domestic industries were not being injured despite contrary findings by the Commission. For example, in the scissors and shears case the President stated in a letter to this committee dated May 11, 1954:

My inquiries with respect to the affected companies indicate that they are not in a depressed condition * * *.

The President's spring clothespin decision was expressly based on a series of findings of fact, not one of which appeared in the Tariff Commission report. The Commission has assured me that its report contained "all the data submitted by the Commission to the President." The President emphasized the effect on the industry of declining sales of slotted clothespins, increased sales of plastic pins, automatic driers, laundromats, etc., but the Commission's report contained no data whatsoever on any of these factors. Obviously the data supporting the President's decision were obtained by his staff after what amounted to a star-chamber investigation of its own, with no opportunity for the domestic industry to examine such facts or be heard in refutation.

In a number of other escape-clause cases the President has completely ignored the findings of fact of the Tariff Commission and substituted his own. It seems absurd to spend the taxpayers' money and subject domestic industry to the trouble and expense of escape-clause investigation by the Commission, only to disregard its findings of fact in this way.

Why has the President insisted upon making independent investigations rather than relying on the experts designated by Congress for that very purpose?

Senator MALONE. Why? You have an act that gives him that authority, and the only reason for the act is to let him decide on these important matters as to whether, for instance, the clothespin is important to the Nation or not, and if he did not do that, he would be derelict in his duties, he would be transgressing the constitutional responsibility—and you object to the way he does it.

Now, it is his own way of doing it, and nobody is going to object, if you are going to put the responsibility on him.

Mr. TILDEN. I would say, Senator, that I am for placing proper restrictions on the exercise of this power by the President. I agree 100 percent that at the moment the existing act delegates entirely too much power to the President, and I am in favor of imposing some restrictions.

Senator MALONE. Well, the power has been delegated to him. The Congress transferred to the President its constitutional responsibility. Now, what are you going to do? Fix it so that he cannot exercise it? I mean, this is a little bit silly, when you come down to it. You are trying to figure out a deal where you can transfer constitutional responsibility to the President and then figure out some way of preventing him from doing the job.

Mr. TILDEN. Well, I would hate to get into an argument with you on constitutional problems.

Senator MALONE. And I believe that you are going to get exactly what you deserve.

Mr. TILDEN. I would like to express this point of view—

Senator MALONE. Go right ahead. I am entirely out of sympathy with anything you have said so far. You are really against it but you are going to be for it, just so the clothespin industry might have some chance to make a couple of clothespins.

Mr. TILDEN. Well, frankly, I don't like the way you characterize my entire statement, because that is not what I have attempted to say.

What I have attempted to say is that I believe very strongly that the present act is not being administered in the manner in which it was intended.

And I agree that the present act delegates entirely too much power. I think that more definite standards should be adopted and put into the act to prescribe the method of ascertaining the existence or non-existence of injury.

Senator MALONE. Well, just as long as industry takes the attitude that you are taking, you are going to get exactly what you are asking for.

Mr. TILDEN. You may be right. I hope you are wrong.

Senator MALONE. I cannot agree with you. Go ahead.

You have done this for 21 years, and that is natural with industry. At least you are arguing the point. At least that is one thing you are doing. Why not come out and say what you are for? If you think this thing is wrong, say so, and correct it.

Mr. TILDEN. Well, I am attempting to.

Senator MALONE. I don't understand—I cannot understand you. I do understand Mr. Smith. I think he made a fine presentation.

Mr. TILDEN. Well, I hope that you vote the right way on it.

Senator MALONE. Well, if I voted the way you advocate, and that is for the extension of the agreement—well, go ahead.

Mr. TILDEN. Why has the President insisted upon making independent investigations rather than relying on the experts designated by Congress for that very purpose? The answer seems very obvious. He has not wanted to acknowledge that the trade agreement program might sacrifice certain domestic industries which are unable to compete with imports. So far as I can determine, the President has never conceded that an industry he has refused to protect is being seriously injured, notwithstanding the Commission's unanimous finding to the contrary in a number of cases.

This, I contend, is the basic fallacy in the administration of the program. We will all recognize that international considerations and the overall national interest may outweigh the welfare of individual domestic industries. The average American businessman will go along with this where there is a reasonable basis for believing that his sacrifice contributes to the national good. But he resents going on the altar just because the President's staff is able to dig up some "facts," which he has no chance to answer, indicating that he is not being injured. This is like the dying man who is informed by a group of specialists, after thorough examination, that he can be saved only by a particular medicine. He gets far more consolation from knowing that the medicine is not available to him because it has been preempted for

the national defense, than from being told by someone who never examined him that he isn't even sick.

This committee is confronted with deciding whether it subscribes to the interpretations to which I have referred by reporting out H. R. 1 without giving effective teeth to the escape clause provisions of the Extension Act of 1951. It must also decide whether final determination of the existence of injury is to be delegated to the Tariff Commission, after public hearings of all interested parties, or to the President's staff on the basis of sub rosa investigations.

The Commission can be given final authority for factual determination of injury without eliminating the power of the President to disregard the Commission's recommendations for relief. Attached to my filed statement is a suggested rewording of section 7 (c) of the Extension Act of 1951. This wording is identical to Congressman Reed's amendment approved by 192 Members of the House, except that "national interest" is substituted for "national security." It may well be argued that the President should have the power to disregard Commission recommendations for other than direct security reasons. The proposed alternative language gives him additional leeway to disregard such findings when he considers it in the national interest to do so.

This amendment would not "emasculate" the trade program or "set it back 20 years," as parts of the press would have us believe. It would in no way curtail the powers of the President, except to require him to justify, as in the national interest, any refusal to carry out recommendations of the Tariff Commission. Where such considerations dictate the sacrifice of a domestic industry that is being seriously injured, the President should frankly so state, and explain to Congress the basis for the conclusion.

The amendment does no more than carry out the intent of Congress to give reasonable protection when this is consistent with the national interest. It offers American workers and businessmen assurance that their welfare will not be ignored, and the important satisfaction of knowing, in cases where the President may deny relief despite injury, that at least they are making a contribution to their country.

Senator MALONE. Now, would you like to put in the other amendment or whatever it is, in the record?

Mr. TILDEN. Yes. I would suggest a new section 6, to read as follows:

The last sentence of subsection (c) of section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364 (c)), is hereby amended to read as follows:

"If, as a result of investigations and hearings, a majority of the Commissioners voting find that a product on which a concession has been granted is (as a result, in whole or in part, of the duty or other customs treatment reflecting such concession) being imported in such increased quantities (either actual or relative) as to cause or threaten serious injury to the domestic industry producing like or directly competitive products, such finding shall be final and conclusive and the President shall take action to prevent or remedy such injury unless he determines that the national interest requires that no such action be taken. If the President does not, within 60 days, take the action referred to in the first sentence of this subsection, he shall immediately submit a report to the Committee on Ways and Means of the House and to the Committee on Finance of the Senate stating why he has not made such adjustments or modifications, or imposed such quotas."

Senator MALONE. What part of this other statement covers the subject matter which is not covered here?

Mr. TILDEN. If you will give me a couple of minutes to refresh my recollection on it, Senator, I will have it.

One of the objectives of the proposed revision of section 7 (b) was to require a comparison of current imports with preconcession imports, and in my statement to the Ways and Means Committee, I said as follows:

The second of the above-mentioned objectives—requiring the Tariff Commission to make a comparison of the current rate of imports with the rate during a representative period prior to the concession—is accomplished by adding the words “over a representative period prior to the concession,” following the words “an increase in imports, in the list of factors to be considered by the Commission contained in section 7 (b).”

It is submitted that the Congress intended by the present act that such a comparison be made. Obviously, a determination as to whether imports have increased as a result, in whole or in part, of the duty or other customs treatment reflecting a trade agreement concession necessarily involves a comparison of imports before and after the concession. However, the experience of the clothespin industry demonstrates the need for a specific requirement.

In their report to the President of October 6, 1954, three of the Tariff Commissioners “determined” that there had been no increase in imports of spring clothespins, either actually or relatively. This determination was based entirely on a comparison of imports during the years following the concession. The Commissioners admitted that a comparison of imports during the past few years with those during pre-concession years would show a substantial increase in imports. However, they interpreted the present act as requiring a comparison of current imports with preconcession imports only when no representative postconcession period could be found.

The concession on spring clothespins was granted in 1943. Prior to such concession imports never exceeded 20,000 gross per year—less than 1 percent of domestic production. Due to the war imports did not increase materially until 1945. During the period 1946–48, as pointed out by the 3 Commissioners, the average importation was 1,700,000 gross, or 71 percent of the average domestic production. Aside from the effect of the concession, this tremendous increase in imports was due to the fact that domestic producers were out of production during the war because of their inability to get wire, and the demand for spring clothespins following the war was abnormally high. Moreover, the domestic producers were unable to get into full production until the middle of 1947, when a large part of the domestic market had been taken over by imports. The 1946–48 average included 3,167,000 gross imported from Mexico in 1946 when domestic producers were out of production.

It was this period of 1946–48 which the three Commissioners selected as a “representative” postconcession period, for purposes of comparing imports during the years 1952–54, when the demand had gotten back to normal and wire supplies were available to domestic producers. Imports during such years averaged more than 900,000 gross per year, or 30 percent of domestic production, compared to 20,000 gross per year—

Senator MALONE. This is clothespins we are talking about?

Mr. TILDEN. This is clothespins.

Or 1 percent of domestic production. It was on the basis of this comparison of current imports with 1946-48 imports that the three Commissioners concluded that imports had not increased as a result of the concession.

Incidentally, it is interesting to observe that after reaching this conclusion, these same Commissioners proceeded to "determine" that imports had not resulted in any decrease in domestic production or shipments by comparing current domestic production and shipments with 1939—a single prewar year.

If this committee agrees that a determination as to the effect of a concession on the quantity of imports necessitates a comparison of the volume of imports before and after the concession, it is submitted that a specific requirement that such a comparison be made by the Tariff Commission must be included in the act in order to correct the interpretation to which at least 3 of the present Commissioners are committed.

It should be pointed out that the Senate version of the existing section 7 (a) included the words "compared to a representative period prior to the concession." The inclusion of these words in the act as passed by the Senate indicates that the Senate wanted to make certain that such a comparison was made. This language was omitted from the act as finally passed after a joint conference of the House and Senate. The reasons for dropping this language do not appear in the conference report, but it is reasonable to assume that the language was omitted either because it was not considered necessary or because the Congress did not want to preclude the Tariff Commission from also considering, in appropriate cases, changes in the trend of imports during years following a concession.

The language suggested by the writer to the committee merely serves to clarify the intent of Congress without precluding the Tariff Commission from considering other factors.

Senator MALONE. What is this, a report from the Ways and Means Committee?

Mr. TILDEN. The chairman asked me to read the parts of my testimony before the Ways and Means Committee.

Senator MALONE. What is it? What is it quoting from?

Mr. TILDEN. The statement I made to the Ways and Means Committee on February 2.

Senator MALONE. I thought the original statement maybe was a quote from something.

Mr. TILDEN. No.

Senator MALONE. This is your own statement?

Mr. TILDEN. This was my own statement, yes.

Another objective is to require the Tariff Commission to take into consideration a comparison of the labor and raw materials costs of the domestic and foreign producers. It is proposed that the following factor be added to those included in section 7 (b) :

Higher domestic costs for labor and raw materials than those of foreign producers.

Senator MALONE. Isn't that what the Tariff Commission takes into consideration as a primary objective?

Mr. TILDEN. As one of the factors indicating the existence of injury.

Senator MALONE. Well, isn't that one of the factors the Tariff Commission always takes into consideration?

Mr. TILDEN. I don't think so.

Senator MALONE. You don't?

Mr. TILDEN. No.

Senator MALONE. How long have you been watching this Tariff Commission operate?

Mr. TILDEN. Well, I am basing that upon the experience the spring clothespin industry had. We had three hearings before the Commission.

Senator MALONE. I think you will find that if you follow the work of this Tariff Commission, that they take in a number of factors, but one of them is a difference in cost due to the difference in labor.

Mr. TILDEN. In three reports made on spring clothespins there was no mention of a comparison of costs.

Senator MALONE. There may not have been any mention of it. They don't always mention the factors but they mention what the total difference is or whether it is justified or not. Many factors are taken into consideration.

Mr. TILDEN. Well, we attempted on three occasions to persuade the Tariff Commission to make a comparison of domestic costs of production of spring clothespins with foreign costs. The industry submitted in great detail its own costs of production. The Tariff Commission made an investigation in which it checked the figures submitted by the industry, and yet not one word was mentioned in any one of the three reports to indicate that our costs of production were any higher than those of foreign producers.

Senator MALONE. But still you say that three of the Commissioners agreed with you that there was an injury.

Mr. TILDEN. It was so serious that they didn't need to consider that factor.

Senator MALONE. Well, do have any evidence that the factors weren't considered?

Mr. TILDEN. None except the fact that they were not mentioned in the Tariff Commission reports.

Senator MALONE. As a matter of fact, is it always customary on rates or Tariff Commission investigations to mention each of the factors and the amount that they affect the result?

Mr. TILDEN. Well, I understood that it was the practice of the Tariff Commission when it has spelled out for it, as it does in the escape-clause provision, the factors which it is required to take into consideration, that in every case they spell out in their report their findings as to those factors.

Senator MALONE. But they didn't do it in your case.

Mr. TILDEN. Because it is not one of the factors listed. That is why I am recommending that it be included in the list of factors, which would require the Tariff Commission to make such a determination and to include its findings in its report.

Senator MALONE. So you think that by reason of the fact that it is not mentioned in their report, that they didn't consider the difference in the wage and standard of living?

Mr. TILDEN. That is my understanding.

Senator MALONE. Go ahead.

Mr. TILDEN. I am afraid I have already covered the statement, but I will read it if you would like.

Senator MALONE. Go right ahead.

Mr. TILDEN. There should be no need for the inclusion of such a specific requirement in the act, since it should be apparent to anyone that a comparison of costs is an essential element in any determination as to whether a domestic industry is being injured or threatened with injury by imports. Obviously where the cost of production of a particular product involves a large percentage of labor, and where the domestic producer must pay \$2 per hour to his employees as compared with 40 cents per hour paid by his foreign competitor, imports are more likely to injure him than would be the case if the wage rates were the same.

Again it is submitted that the experience of the clothespin industry demonstrates the need for inclusion in the act of a specific requirement. The Tariff Commission has made 3 investigations of the clothespin industry, and has held 3 hearings. At each hearing the industry representatives practically pleaded with the Commission to make a cost comparison. In each case the industry furnished the Commission with complete and accurate cost data on domestic production. Time and time again the industry offered to open its books and records to the Commission's investigators so that the cost data could be checked.

The Commission issued reports in all three cases, and did not in any case include any information which would indicate that any attempt had been made by the Commission to obtain data on foreign costs, or that any consideration had been given by the Commission to the differences between domestic and foreign costs of manufacturing spring clothespins. As a matter of fact, Chairman Brossard commented on this fact in a separate opinion in connection with the first investigation of clothespins. He expressed the opinion that—

although comparison of domestic and foreign costs of production is not a legal requirement for action under the escape clause, such representative costs of domestic pins could have been adjusted fairly accurately by well-established cost-accounting methods to allow for the larger size and better quality of the domestic clothespins compared with the imported Swedish clothespins.

Dr. Brossard went on to state:

Had such authenticated cost data been available to the Commission, they would have contributed to a much better understanding of actual competition between domestic and foreign pins in the United States market.

This failure on the part of the Commission to make a comparison of domestic and foreign costs of production of spring clothespins despite repeated requests for such a comparison leads to the conclusion that a specific requirement that the Commission consider such factor in future cases must be included in the act.

Senator MALONE. Is that your language or Mr. Brossard's?

Mr. TILDEN. That is my language.

Senator MALONE. What do you think led this Commission, three of them, half of them, to agree with you if they didn't understand that there was a difference in the cost of production due to some of these import factors?

Mr. TILDEN. Because some of the factors that are included in the escape clause procedure were found to exist. In other words, they

found a loss of production, a loss in domestic shipments, an increase in imports. They found an effect on employment and the fact that four plants had been forced to close down. All of those factors were emphasized by the three Commissioners who found that the industry was being injured, but there still was no mention of a comparison between costs.

It was my feeling that the three Commissioners who found against us might well have found injury had they made a study and determined the exact difference, or as nearly as they could, the difference in cost between the domestic and foreign producers. It might have had a great deal of effect on their decision.

Senator MALONE. What do you think they supposed or assumed accounted for this loss of business? Just some difference in temperament or the color of the hair of the workers or some such reason? Wouldn't you suppose that they believed there was some reason for it?

Mr. TILDEN. I don't know how they could avoid the conclusion that there was a difference in cost.

Senator MALONE. I guess they didn't avoid it. They held for you, three of them.

Mr. TILDEN. That is right, those three.

Senator MALONE. Is that all of your statement?

Mr. TILDEN. That completes it; yes.

Senator WELKER. Well, now for your information, section 350 of the original 1930 act—and I do not think it has been changed, I am unable to find an up-to-date amendment of the act, but I do not think the first section was altered, and it says it is an amendment to the 1930 act by adding at the end of title 3 the following:

3. Promotion of foreign trade.

SEC. 350 (a).

For the purpose of expanding foreign markets for the products of the United States as a means of assisting in the present emergency—

this was an emergency act—

in restoring the American standard of living and overcoming domestic unemployment and the present economic depression, an increase in the purchasing power of the American public and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce by regulating the administration of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States; the President whenever he finds in effect that any of the existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified as authorized from time to time, first enter into foreign trade agreements with foreign governments or instrumentalities thereof and then (2) to proclaim such modifications of duties and other import restrictions or such additional import restrictions or such continuance and for such minimum periods—

and it goes on and on—

of existing customs or excise treatment.

Now, what you have done in this 2-hour discourse is to suggest that the President, if he wants to bring about these particular things, is to say that while he realizes there is some injury to a domestic in-

dustry, it is overcome by the good to the whole economy or in promoting the objectives of this act.

Is that what you have taken all this time to outline?

Mr. TILDEN. That is basically it.

Senator MALONE. Thank you.

Mr. TILDEN. Thank you.

Senator MALONE. Now E. T. Carmody, Clock Manufacturers Association of America. Mr. Carmody, will you identify yourself for the purposes of the record and proceed?

STATEMENT OF EDWARD T. CARMODY, CLOCK MANUFACTURERS ASSOCIATION OF AMERICA, INC.

Mr. CARMODY. Yes, sir, Mr. Chairman. I am Edward Carmody, and I speak for the 14 members of the Clock and Watch Manufacturers Association of America, with plants in 9 States. We make all the nonjewel watches and most of the clocks made in America.

Senator MALONE. How many of the jewel watches, what percentage?

Mr. CARMODY. We make all of the nonjewel watches and most of the clocks made in America, and we have filed a statement which we ask to be made a part of the record. The hour is late and I will be brief.

Senator MALONE. I don't want you to be brief. I want you to talk about this business so that the record will indicate what you are for.

Mr. CARMODY. Yes, sir.

Senator MALONE. Now will you proceed?

Mr. CARMODY. Yes, sir. Well, we do not come before you to persuade you that we are essential to the national security nor is it our contention that the adoption of H. R. 1 will necessarily lead us as clock and watch makers to perdition.

Our own unique and indispensable essentiality to the national defense has already been established at the highest legislative and executive levels, so it is not with us a point at issue, and we are able to understand from the panoramic point of view of the Chief Executive that H. R. 1 may seem needed to strengthen his hand in strengthening the economy of this country and that of the free world generally, so that only technically is it that we seem to appear as opponents of H. R. 1.

Senator MALONE. Well, then you are for the enactment of this act.

Mr. CARMODY. With an amendment.

Senator MALONE. What amendment is it?

Mr. CARMODY. It is an amendment that we have in our statement at page 6, Mr. Chairman, which provides that the national security must be one of the criteria consulted before any action is taken on the peril-point procedure or under the escape-clause procedure.

Senator MALONE. Now let me understand what you are trying to say, that if you take into consideration any industry and its relation to national defense, then you are for the act's extension and its working out just the way it is working.

Mr. CARMODY. I think there is a rather fine distinction. We purposely did not appear on the side of the proponents of H. R. 1. We did not come before you and say, yes, but. We gave it very careful consideration and decided that our proper position was among the

opponents who say we oppose unless. Now that is a very fine line of distinction.

Senator MALONE. Unless you consider national defense as a part of the decision as to whether or not this industry should be continued, whatever industry it is.

Mr. CARMODY. Yes, sir.

Senator MALONE. And in that event if you do consider that factor, then you are for the extension of the act and leaving it in the hands of the Executive, the State Department regardless.

Mr. CARMODY. We do not oppose that procedure. Now, we have had a great deal of soul searching and a great deal of careful thought on this for a long period of time, and this decision to take this particular point of view was made recently by the executive committee of the association.

Senator MALONE. How many clock companies are in this association?

Mr. CARMODY. Fourteen, sir.

Senator MALONE. How many employed?

Mr. CARMODY. Ten to twelve thousand.

Senator MALONE. Now, how many are in the association, if they have an association, of the jeweled-watch and clock production?

Mr. CARMODY. The jeweled watch people? There are Hamilton, Elgin, Waltham, are the only three in the jeweled-watch association. There is also Bulova which is outside jeweled-watch association but act in concert with them.

Senator MALONE. How many employees do they have all together, the four of them?

Mr. CARMODY. I would say something less than ours. Four or five thousand.

Senator MALONE. Now if I get your position, and I hope I am correct in interpreting it, you are for the change in the constitutional setup of the regulation of foreign trade and the setting of the duties, what we call tariffs; the transfer of it from the Congress to the Executive; the Executive to have full power to rearrange the industrial map of the United States any way he sees fit just so he takes into consideration the national defense of the country.

He can consider it and decide any way that he wishes. His is the sole decision. You understand that.

Mr. CARMODY. Yes, sir, I do.

Senator MALONE. I think you had just better read your statement.

Mr. CARMODY. We refrain from opposing the substance of H. R. 1, particularly because—

Senator MALONE. What statement are you reading? I have a statement here.

Mr. CARMODY. These are notes.

Senator MALONE. Well, I think you had better just read your statement.

Mr. CARMODY. Very well, sir.

Senator MALONE. You may read your notes first.

Mr. CARMODY. All right. We refrain from opposing the substance of H. R. 1, particularly because we have been saved from destruction by the escape clause provision.

Senator MALONE. Now, that is a very revealing statement. You have been saved so you refrain from opposition, regardless of what effect it may have on other industries.

Mr. CARMODY. I can see how that interpretation can be put on this position, and that was carefully considered. That is not the basis of our decision nor of our position.

Senator MALONE. That is probably the reason you made it, because you got under the wire.

Mr. CARMODY. No, it isn't, Senator Malone. There are several reasons.

Senator MALONE. Suppose you had had an adverse decision by another President, or this one changed his mind, then what position would you take?

Mr. CARMODY. Well, we think that when the Chief Executive proves that he does pay attention to the escape clause, if you have a good case, and if he takes the abuse and all the trouble that has come upon him for having acted as he did, which he undoubtedly knew would happen, it is a pretty good evidence of the good faith of the Chief Executive that this is a courageous and prudent administration of the escape clause.

Senator MALONE. Nobody has doubted his good faith. But, what I tried to ask you when you said you were for the extension, do you think that there is any merit in the method so long used by Congress of creating (as in the 1930 Tariff Act) an agency responsible to Congress to set duties and impose what we call tariffs on a definite principle of fair and reasonable competition? Or do you really believe that the thing to do is what Congress did in 1933: transfer that constitutional responsibility to the Executive and allow him, under the guidance of the State Department, to rearrange the industrial map of the country, using the escape clause a very minimum of times, with obvious injury to many industries, but with some idea of international political complications that presumably make it necessary for the good of the overall economy?

Now, which do you believe? That is all I want to know.

Mr. CARMODY. Senator Malone, I have been sitting here all day, and it was not until the course of this day that I had dinned into me from yourself the abdication as it appears to be—perhaps it is not abdication, the fact—

Senator MALONE. I think there is a worse word than that.

Mr. CARMODY. The fact that under article 1, section 8 of the Constitution the Congress retains to itself and has the powers of regulating foreign commerce.

Senator MALONE. You didn't know that?

Mr. CARMODY. I knew that but it had not ever been brought as clearly before me as it has today, that this appears to be a deviation from that particular clause of the Constitution.

Senator MALONE. You never knew that the Constitution of the United States separated the powers of the three branches of Government?

Mr. CARMODY. Yes, I did indeed, I knew that, but I think that I personally and we as a group had never particularly had our attention focused on that particular fact.

Senator MALONE. I guess no one reads the Constitution any more; do they?

Mr. CARMODY. I am afraid they don't as they should.

Senator MALONE. I hope you will take back to your industry the things you have learned today, if you have, and read that section of the Constitution, article 1, section 8.

Mr. CARMODY. Why has this never been put to a constitutional test, Senator?

Senator MALONE. It is being now. Did you know that?

Mr. CARMODY. I did hear that today, too. I wasn't aware specifically that it had been, but it is a long time since it has been done.

Senator MALONE. It took me 2 years to realize that argument on the Senate floor, or any kind of debate, had no effect whatever. People just come down here to Washington and throw themselves in the lap of the gods, "If you don't destroy us, we will be happy."

They have been doing it for 21 years. And practically no one listens to any argument at all. You might say, it is merely a propaganda surge over the country.

In a talk not long ago I called it a mental aberration for two decades. We have no respect for the Constitution at all.

Under the protection of the United States Constitution and under the 1930 Tariff Act, if the Congress just sits still and allows this thing to expire, then no State Department can hurt you. They are clear out of the picture as they were in the Constitution of the United States.

The Congress amended the Constitution of the United States with the 1934 Trade Agreements Act by a simple act of Congress. Now, there are people that justify its constitutionality because a limit is set beyond which the State Department or the Executive could not go. It is clearly a delegation of legislative power, in my humble opinion.

On Monday, February 28, I made that argument in a debate on the Senate floor and described the suit, but starting in 1947 it took me 2 years to realize that arguments didn't carry much weight, and took the rest of the time until now for a client, the money, and an attorney with guts enough to go through with it.

I don't think your industry has it. I watched it being destroyed before I came to the Senate. I came to the Senate mostly on account of this particular act, that and others that are obviously destroying American industry, and rearranging the industrial map of this Nation, and I still believe we are going to stop it.

And I have the highest regard for our President. It isn't that I don't trust the President, but there is no mind on earth that can encompass the intricate measuring of economic factors any more than one mind could do that on the stock market.

If there is more buying, a stock goes up; if there is less buying, it goes down, and the whole people of the United States fix the price of a stock by demand if it is not interfered with superficially. So how in God's name can one man fix this thing even in one industry?

And 5,000 industries? On a basis of the good of the national economy or international political considerations? I do not believe the American people have ever realized the full import of it, and you have helped prove it to me tonight that you didn't even know it and your people don't realize it.

You are becoming a party to something I don't think you want to be a party to, from your own statement in the record, but you don't know it.

Mr. CARMODY. We hadn't considered that nor heard it discussed.

Senator MALONE. I have discussed it for 8 years on the Senate floor. That just shows how far a debate goes. Papers do not carry much about it, and I can see their point of view, because you have raised an entirely new set of editors and reporters since the thing started. And men 45 years old have never seen anything else.

There is one advantage to being a little older—not many advantages. That is, we have seen all of them come and go, from Woodrow Wilson on through. And now you come here and say that because you have secured relief—that is about your word as near as I can remember them—that you are for the extension of this act just so long as the factor is considered through which you got your relief.

Mr. CARMODY. Well, I would personally look at the other side of the coin and I would say that we were hardened by proof that there can be a conscientious administration of this particular escape clause, and we think it is heartening to us and it gives us reason to believe that perhaps there is more good in the world than we had anticipated previously.

Senator MALONE. At least for you.

Mr. CARMODY. Well, for anyone who can prove defense essentiality certainly, that is one thing, and that is why we say merely that that should be written specifically into this language.

Senator MALONE. Why do you need it written if it has already been considered and there is already a precedent set for it?

Mr. CARMODY. Because, sir, when the President acted in July of 1954, there was on such criterion in the law.

Senator MALONE. There isn't yet; is there?

Mr. CARMODY. There isn't yet.

Senator MALONE. If he could consider it then he could consider it in the future; couldn't he?

Mr. CARMODY. I have no reason to believe except one short sentence in his finding that he did have a right to consider it, but our case was so spectacular in injury that he found plenty of area within which to operate and grant relief because of the great injury that was spectacularly portrayed.

Senator MALONE. Well, I think there are probably a thousand industries that there is plenty of evidence on, but you just happened to get enough publicity and that made it a little awkward. I think that was one of the things.

Mr. CARMODY. We worked for years and years.

Senator MALONE. But now you have gotten your relief, and if you can just get the reason for your relief in the act, you are ready to go home and say, well, everything is rosy.

Mr. CARMODY. Well, we think that it isn't particularly a selfish point of view because we have been helped and now we are thinking of other industries who are in the same position, and we are thinking of them and of the national welfare. We are not just thinking of ourselves, sir.

Senator MALONE. Well, let's put it this way—you think, then, that any industry that is not considered essential to the national defense should be allowed to fail. You are willing to see the industrial map of the United States rearranged on the basis of international political associations and considerations.

Mr. CARMODY. No, sir; that I certainly am not and we certainly are not for.

Senator MALONE. How would you safeguard the others?

Mr. CARMODY. Because there already is a yardstick and criteria in the act which says injury or threatened injury, that relief shall be forthcoming.

Senator MALONE. I wish you would quote that to me in the law. I just read it. It doesn't say it shall be at all.

Mr. CARMODY. No; it doesn't say it shall be.

Senator MALONE. It is simply dependent on the judgment of one man.

Mr. CARMODY. That is correct, if he finds it to be.

Senator MALONE. If, in his judgment, he finds that the overall economy or the international political situation or anything at all justifies rearrangement, he can do it, can't he?

Mr. CARMODY. Yes; he apparently can.

Senator MALONE. And you are for that. That is what you are testifying to.

Mr. CARMODY. With this safeguard we have——

Senator MALONE. Just so you come under the wire for sure next time because you think it might have been an accident this time, you want that national security written in the bill.

Mr. CARMODY. No; we can really think beyond our own small area.

Senator MALONE. You haven't shown any evidence of it tonight.

Mr. CARMODY. Well, we think that there is a whole group of men as honest as ourselves, led by the Chief Executive that we do admire, who holds the honest opinion that it is essential for the welfare of this country and of the world to adopt or to continue this type of legislation.

Senator MALONE. And so change from the principle of fair and reasonable competition under the 1930 Tariff Act where they have certain facts to ascertain and are governed by the principle, to giving it into the hands of one man who can make any decision he cares to make on the basis of the overall good to the national economy or international political considerations or the good of certain Allied countries.

You are for changing the principle to that consideration.

Mr. CARMODY. Well, the principle has been changed. I mean the principle has been adopted many, many years ago.

Senator MALONE. What I am asking you is this. When you said you were for the act, that meant you are for this change that was made, or didn't you know it was changed? Maybe you didn't even know that.

Mr. CARMODY. Oh, yes. I mean we have lived, particularly I have lived and know other climate than this. I haven't been aware of the previous era even, and as I say, it is this afternoon that a good deal of this was impinged upon my conscience.

Senator MALONE. You didn't know that the 1930 Tariff Act lay down a principle to an agent of the Congress, the Tariff Commission, on how it would determine whether or not an injury were done or how they would fix the flexible import fee or tariff. You didn't know that?

Mr. CARMODY. Yes; I knew the Tariff Commission was established and they were given certain principles in guiding regulations, yes.

Senator MALONE. But you didn't know then that the 1934 Trade Agreements Act had completely nullified the 1930 tariff law and put it

in the hands of one man and you just didn't know that that changed the Constitution of the United States.

Mr. CARMODY. We knew that it was put in the hands of one man, but as I say, the constitutional angle of it hadn't as far as I am concerned been borne in.

Senator MALONE. How old are you?

Mr. CARMODY. I am 50, sir.

Senator MALONE. Well, you were 20 years old or 25 when this thing came along.

Mr. CARMODY. Yes, but in college you don't pay too much attention to what you should as far as the history of your own times is concerned.

Senator MALONE. You know it is amazing to me that people who spend all of their time in an industry and all of their time on a question of this kind simply do not understand the basic facts of the built-up things that have happened to them.

Mr. CARMODY. But we have seen the Tariff Commission at work, we have seen them working. We have seen the functioning.

Senator MALONE. The Tariff Commission has no more authority now than you have.

Mr. CARMODY. Only to recommend.

Senator MALONE. All right, they have no authority whatever to make their findings effective, do they?

Mr. CARMODY. They have none, sir, no.

Senator MALONE. Isn't that a fine thing? They are an agent of Congress but they have nothing to do but simply determine something that can be accepted or not as occasion demands—as some individual may demand.

And still you tell me that you didn't understand that until this afternoon?

Mr. CARMODY. That is correct.

Senator MALONE. Well, I would just like you to read this statement because I want to listen to a statement made by somebody who didn't understand the situation to start with.

Mr. CARMODY. Yes, sir.

Senator MALONE. I am willing to listen to it.

Mr. CARMODY. May I finish my notes?

Senator MALONE. Yes; I think they are very interesting.

Mr. CARMODY. We do earnestly ask that you recommend that this bill not become law without its giving the President and the appropriate administrative agencies the right and power he and they may one day sorely need and which H. R. 1 as now written will not give them, namely the right and duty of considering the national security in making decisions in escape-clause and peril-point proceedings.

Senator MALONE. Wasn't that exactly what he did consider in your case; the national defense? Didn't he say that you were a necessary industry?

Mr. CARMODY. He in his decision on that, Mr. Chairman—

Senator MALONE. I don't know what his decision actually said.

Mr. CARMODY. There was perhaps one short sentence devoted to that phase of his decision because the words were not in the act that he could rely upon to quote at length from or to rely at length on.

Senator MALONE. But he did quote it.

Mr. CARMODY. He did give it a very brief mention.

Senator MALONE. Most of the releases, the publicity, were on the basis that you were a necessary industry for national defense.

Mr. CARMODY. That was an assumption that everybody made and I think correctly made. But his decision was largely, almost entirely I might say, on the injury that the industry had sustained.

Now it is for that reason that we want to see this particular language written in there so that he can come out clearly and even exclusively if he wants, because we think it is only sanity that it be there.

Senator MALONE. Well, he did use it, and don't you think that the act itself that I read here that says he could make his decision on the national good and on the international political situations and the general overall international situation, don't you think he could consider that one of the factors?

As a matter of fact he did consider it, didn't he?

Mr. CARMODY. As a matter of fact he did, I am sure, yes.

Senator MALONE. And the whole public was convinced that that was a fact?

Mr. CARMODY. Yes, sir.

Senator MALONE. Why are you so much concerned then that it be in the law as long as you have obviously got your relief?

Mr. CARMODY. We are thinking of other people in the same plight who may not have the overwhelming that we had.

Senator MALONE. Are you thinking of other people or are you thinking that your case might come up again?

Mr. CARMODY. No, we are really thinking of the national good and other companies whose existence may be necessary to the national good and welfare and security.

Senator MALONE. Well, I take your word that you are considering it, but you didn't think of all of this until after you got your relief, did you?

I heard you here last year. It doesn't seem to me you had any such statement.

Mr. CARMODY. At that time we were endeavoring to make our essentiality to the national security proven and evident.

Senator MALONE. But you didn't suggest any such amendment last year.

Mr. CARMODY. No. That was another realm, another step. We were then concentrating on trying to prove to people that without a horological industry a nation is defenseless in time of war.

Senator MALONE. You were proving that you were injured because of these cheap labor countries?

Mr. CARMODY. Also.

Senator MALONE. I sat here and listened to your testimony and I don't remember you recommending any amendment at all.

Mr. CARMODY. No, I think probably that is correct.

Senator MALONE. Well, when did all this righteous indignation come about, when you got your relief? I don't understand this sudden "get religion" on this national defense thing. You have been coming in here every year for 2 years and 2 years before that, and every 3 years before the cutting of it to 2 years, haven't you?

Mr. CARMODY. Yes, sir.

Senator MALONE. Can you show any record that you ever recommended that this be done before?

Mr. CARMODY. No, I don't think that we can. I mean it was germane at that time.

Senator MALONE. It was more germane then if I may say so to you, because if you had gotten that amendment then, you would have gotten your relief quicker maybe.

This seems to me that you and every industry coming in wants to protect itself. You know for 100 years the fight has been everyone wants free trade on what they buy and a tariff on what they sell.

Now when the Congress lays down the principle of fair and reasonable competition and sets up a fact-finding committee to determine that difference, they really had a principle to work on and a principle upon which you could invest money, didn't they?

Mr. CARMODY. Yes, sir.

Senator MALONE. Well, don't you think that would be a pretty good principle to get back to if you could?

Mr. CARMODY. Well, I can't give you a very strong argument on the constitutional angle.

Senator MALONE. I am not talking about the constitutional angle. I am talking about commonsense.

If you had a duty and you knew that from now on the Tariff Commission, a fact-finding body, with the principle laid down by Congress that they consider the difference in the cost of production here and abroad (that is, with the chief competing nation), do you think you would have much trouble keeping your investors satisfied?

Mr. CARMODY. It should work out that way, yes.

Senator MALONE. Have you ever given it any consideration?

Mr. CARMODY. Why, I suppose that we had assumed, as probably a great many other segments of the country had, that this was the new era and that this had come to stay, I suppose.

Senator MALONE. It certainly is as long as industrialists like you who represent the important clock industry take it for granted. I think you are right. I think the businessmen and industrialists of this Nation are getting just what they deserve, because they have not studied it, obviously.

I have found only 2 or 3 witnesses out of the many that have testified in the last 3 days that understood it at all. Their testimony indicates that they don't understand it. They just assume that we are going to have this free trade.

Therefore, they have to have some escape clause for themselves that will let them out, and if they can get that they run home and are satisfied. Now, you think that is a pretty good principle for all of you to operate on?

Mr. CARMODY. No; that isn't a good principle, and I don't think it can be applied to us because we have already had our day in court.

Senator MALONE. You really have?

Mr. CARMODY. We have had our day in court, so that we could, if we were that callous, we could say, "Well, we should worry, we got what we wanted, and we won't go to Washington and spend out efforts on trying to improve this bill."

Senator MALONE. You know what it sounds like to me? You just want to be sure that you will not be brought up again and left without that national defense thing. That is what it sounds like to me.

Mr. CARMODY. Well, I can see that point of view, too.

Senator MALONE. Go ahead and read your statement.

Mr. CARMODY. Such a clause was not in the law when the President, we assume, went looking for it last summer at the time he became convinced that our industry, the domestic horological industry, simply had to be saved from strangulation from abroad.

Senator MALONE. Well, now, don't you think that in this law, if you have ever read it, when it says that he can consider the national good, that that would allow him to consider that factor?

Mr. CARMODY. Yes.

Senator MALONE. Well, then, why are you so insistent that he name all the factors? Maybe there may be 500 factors in this national good and in the overall political and international political situation. Why aren't you insistent that he name some of the other factors?

You know, if this economy of ours breaks down through too many imports, it could be that you wouldn't be in as good position as you are now, that you wouldn't sell too many of these watches.

Mr. CARMODY. True. We are not asking that he lists reasons. We merely ask that the act specify and enumerate.

Senator MALONE. The reason that saved you, that is what you want mentioned.

Mr. CARMODY. It is because we learned something in the course of our proceedings.

Senator MALONE. Now you say "learned."

Mr. CARMODY. And because, sir, also we can see that someone else—let us pick, for instance, the optical companies which are certainly an essential industry—they might come up for their day in court. They might not have the overwhelming facts to support them on injury that we have.

Senator MALONE. I think they will have plenty of facts as soon as Japan gets into operation.

Mr. CARMODY. I think that is unfortunately correct. But then we envisioned some other industry essential to the national defense might not have our good case and might fail of getting relief and being able to survive, when it was essential to the national defense, because this particular language wasn't there.

Senator MALONE. You are down here for that purpose?

Mr. CARMODY. Well, that is certainly our main argument.

Senator MALONE. Go right ahead with your statement.

Mr. CARMODY. I may be repeating some of this, because I am not sure of the point where I left off before.

Senator MALONE. That's all right. You just go right ahead. You have plenty of time.

Mr. CARMODY. Fortunately, the facts in our crisis were so spectacular that there was ample authority for the President to act under the serious-injury section of the law without reference to the national security or without formal reference to it.

Senator MALONE. He did refer to the national security, didn't he?

Mr. CARMODY. Yes.

Senator MALONE. Then it was one of the factors in the overall national good?

Mr. CARMODY. Yes, that is technically correct, sir. I can't say otherwise.

But suppose there had been some question as to the seriousness of the injury we had sustained, or suppose that some other industry with the highest priority as to the national security shall, in the

future, be a borderline case as to injury from foreign competition. What will the President, whoever he may be, do to save the skills of that industry for the country's security at that time?

Language not only allowing, but directing, the appropriate administrative agencies and the President to look carefully to the country's security needs in the course of making peril-point and escape-clause decisions will not only be needed by them in time of need, but will put the other nations of the world on notice that we, as they all do without exception, will look carefully to our national security at the same time we are looking to the expansion of world markets.

That is the extent of my comments on our position, Mr. Chairman. We have submitted a statement here to you.

Senator MALONE. Go ahead and read it.

Mr. CARMODY. You want me to read it?

Senator MALONE. Sure, you've got plenty of time.

Mr. CARMODY. I am not requesting it, but if you wish, I shall.

Senator MALONE. You brought it here, didn't you?

Mr. CARMODY. We brought it here for filing purposes.

Senator MALONE. Go ahead and read it.

Mr. CARMODY. Members of Clock and Watch Manufacturers Association of America, Inc., are vitally concerned with the trade-agreements legislation which you are here considering. These manufacturers produce all of the pin-lever watches manufactured in this country and most of the clocks and timing devices. As the committee knows, at the conclusion of an exhaustive investigation by the Tariff Commission, President Eisenhower last July withdrew certain tariff concessions on imported watches. The Tariff Commission concluded on the basis of the evidence presented in an escape-clause proceeding, that the domestic industry had, in the language of the statute, "suffered serious injury" from imported competitive products. The President, after due consideration, acted to implement the recommendations of the Tariff Commission.

Furthermore, tariffs on clocks were reduced the maximum 50 percent in 1951 as part of the Torquay negotiations under the General Agreement on Tariffs and Trade. The effect of this action on the domestic clock industry has been devastating. Imports of clocks have increased at an accelerating rate each year since 1951; in 1952 clock imports were 45 percent greater than in 1951; in 1953 the volume was 62.5 percent greater than in 1952; and in 1954 clock imports were 98.6 percent above 1953. It is apparent to the domestic clock industry that it is entering a critical period of its existence and that imports of clocks which now threaten serious injury to the industry may soon overwhelm and destroy it.

Senator MALONE. Now, I understand you to say that the Torquay negotiations under the General Agreement on Tariffs and Trade really negotiated this tariff reduction.

Mr. CARMODY. On clocks.

Senator MALONE. Yes. Well, now do you understand if Congress doesn't pass anything, just allows this to expire at midnight on June 12, then the Geneva General Agreement on Tariffs and Trade Organization is no longer effective and has nothing to do with it from there on? They can't continue to negotiate.

Mr. CARMODY. Yes, I am aware of that.

Senator MALONE. Well, now wouldn't you like that?

Mr. CARMODY. Well, I must again refer to the meeting of the executive committee of this association, and it was their considered feeling that the President deserved support in his very fervent belief that this was necessary for the welfare of the country and the world.

Senator MALONE. Well, do you understand that all of these agreements already made remain in full force and effect until he himself would cancel them, providing there is no extension of the act?

Mr. CARMODY. Yes, that I am aware of too; yes, sir.

Senator MALONE. But the State Department could not then make further agreements or join these trick organizations. Maybe you haven't seen anything yet. The Assembly of the U. N. has passed a resolution creating another world trade organization. Are you aware of that fact?

Mr. CARMODY. I certainly am as of the end of today. I knew it before also.

Senator MALONE. I would advise you to look into it and see just what they might do to you, because if we are bound by it, because we have signed the Charter of the United Nations, then you have an added worry. But all of these trick organizations fall on their face if the negotiations for determination of changes in the flexible tariff revert to the Tariff Commission, an agent of Congress, on a basis of fair and reasonable competition. You understand that.

Mr. CARMODY. Yes, I do understand that.

Senator MALONE. Now, then, if at any time, the President himself should see fit to cancel one of these agreements by Executive order, by notifying the country with which such agreements have been made, then those tariffs covered by that agreement revert to the Tariff Commission, to be adjusted on a basis of fair and reasonable competition.

Mr. CARMODY. Yes, sir.

Senator MALONE. Well, then, what harm could be done, unless they do have in mind further concessions either on your industry or others, by allowing these great world organizations comprised of 50 or 60 nations to collapse of their own weight, or take their own markets and divide them any way they see fit, but without our markets in the pot? What harm could be done by not extending this act and just not putting our markets in the pot?

Mr. CARMODY. Might there not be international havoc in the economic field?

Senator MALONE. Well, I would like for you to describe some of the havoc you might expect if we don't divide the markets of this Nation with them.

Mr. CARMODY. If they don't have the hope of our markets, where do they turn?

Senator MALONE. Well, if they don't have the hope of getting the clock market some time and they don't have the hope of getting the mineral market, they don't have the hope of getting the crockery market—they already have the crockery market, and the glassware market, they are getting the machine tool market, and they are slowly gaining on the textiles market—you mean if they don't have the continued hope that they can get more and more of our markets—

Mr. CARMODY. A reasonable share, only a reasonable share.

Senator MALONE. What do you call a reasonable share of our markets that we built up over a period of a hundred years?

Mr. CARMODY. Well, I would certainly say the maximum outside that it should be would be 50 percent at tops.

Senator MALONE. Fifty percent of our market?

Mr. CARMODY. Yes.

Senator MALONE. What do you think you would get if they had 50 percent of your market?

Mr. CARMODY. If they had 50 percent of our markets we would be in heaven. They have far beyond that. They have 72 percent of our market, sir. We would be delighted to have it cut back to 50.

Senator MALONE. Well, I think you are a very charitable person. But if they take 50 percent of any market that is already running at a reasonable profit, doesn't that ordinarily destroy a business?

Mr. CARMODY. I think it is a fair ceiling to establish it that high, that 50 percent could destroy a good many businesses.

Senator MALONE. Wouldn't it destroy most of them, as a matter of fact?

Mr. CARMODY. Well, I would not have it apply where destruction was the result. I would have that 50 percent reduced to whatever figure was necessary to keep the domestic industry healthy.

Senator MALONE. You know that 50 or 60 percent of our products don't have any tariff at all?

Mr. CARMODY. Yes.

Senator MALONE. Well, that is because we in most cases do not produce that particular product on a commercial scale, or that it is already in and meshed with the economy. But where we do have duties we have them only where it is necessary because of the difference in the wage scale and the difference in the taxes we pay and the difference in the cost of doing business with any chief competitive country. So you think if they didn't take more than 50 percent of the markets of any of these industries that it would be a fair share for them to expect?

Mr. CARMODY. I said that would be the maximum that I think under any circumstances should be allowed to be preempted by foreign competition where the labor rates are in such great disparity. That is the maximum.

I am not advocating and I would hesitate to see it in the case of many industries because I think it would be far too high and far too dangerous.

Senator MALONE. But you do think that we ought to leave the principle which we have already established of fair and reasonable competition, and have no principle guiding the executive at all, just his judgment as to the good of the economy and of the international political situation, or any of these factors; that we should permit him to go ahead and make these trade agreements by extending this act 3 years with an added 5-percent reduction each year for 3 years, and give these countries the expectancy of 50 percent of our market as a maximum?

Mr. CARMODY. It appears in the opinion of many able and honest and patriotic people that that power is necessary in order to prevent chaos or a turning of the rest of the free world toward communism. I suppose that is the basis of it and we respect that as far as the present Chief Executive goes.

Senator MALONE. And you think then because we have built up with our own money their capacity to produce, that we now must buy

those products to keep them from going to Communist countries?

Mr. CARMODY. It is full of burrs and it is full of contradictions, I can see them, yes, sir. I see the contradictions.

Senator MALONE. The thing that amazes me is that a man representing labor and industry could testify as you are doing. That is amazing to me. That is the reason I am continuing this. I want to get your full thoughts in the record.

Go ahead with your statement.

Mr. CARMODY. It is neither necessary nor appropriate to develop these matters in detail before this committee. They are mentioned solely to make clear the keen interest and deep concern that this industry has in United States foreign economic trade policy.

We do not oppose reasonable means undertaken to achieve increased trade and this, the ultimate goal of increased prosperity and security for this country, and thus we do not oppose the principle of increasing trade through the medium of negotiations between nations. We do not, then, oppose the spirit of H. R. 1.

Senator MALONE. Now, what is the ultimate goal of increased prosperity and security for this country in disposing of, say, up to 50 percent of our markets?

Mr. CARMODY. The goal in allowing that to happen?

Senator MALONE. Yes.

Mr. CARMODY. The goal I suppose would be to sustain the economies of our allies and keep them from flopping over into the enemy camp by economic force.

Senator MALONE. That is what they threaten us with, isn't it? Are you aware of the fact that they are all trading with the Communist countries now?

Mr. CARMODY. I believe there is a fairly flourishing trade with the Communist countries at the present time, yes, sir.

Senator MALONE. Are you aware that it is really flourishing, that they are increasing it and say so openly, that they are going to increase it, and that in 1949, as a matter of fact, I put in the Congressional Record a list of 96 trade treaties of Marshall plan countries trading with Communist Russia and Iron Curtain countries: tool steel, ball bearings, engines, truck, and 101 products of every description. Were you aware of that situation?

Mr. CARMODY. Not in that detail. I was aware of the trade that existed but not in that detail.

Senator MALONE. They are continually increasing it. They have never decreased it. And now you wish to give them 50 percent of our market in addition to the markets in Russia and Iron Curtain countries and China.

Now, the mouths of our own businessmen are beginning to water to get part of this trade in China. There are many who believe that we are headed for the recognition of Communist China and leave Nationalist China and have two Chinas. The precedent is set for that. We have two Indias, there are two Germanys, two Koreas, two Indochinas. Why not two Chinas?

Now, many believe that is exactly what is going to happen. We have announced that we are not going to let Chiang Kai-shek ever land on the mainland, so we are protecting him to that extent. How far can you go in this business?

Mr. CARMODY. I wish I knew.

Senator MALONE. Well, you are going a long way when you say give them half of our market and all of the other markets and build their plants with American taxpayers' money to furnish it.

Mr. CARMODY. Well, that need not be the result of our position here today. I think that is certainly not what we are aiming at or want.

Senator MALONE. You have already said that you didn't understand what it was about, so go ahead with your statement.

Mr. CARMODY. We do oppose—and most strongly—the unrealistic school of thinking which urges upon you the theory or myth that free trade itself is the final answer to all of our foreign-trade problems. We believe that increased foreign trade is merely a tool which may be used in reaching greater security and prosperity. Thus, the power granted the Executive in H. R. 1 to reduce United States tariffs should be accompanied by the power to make use of other methods to encourage cooperation in this mutual endeavor by our trading partners abroad. Finally, since the tariff-cutting power is only a device, it should carry with it certain limitations so the entire world may understand clearly the intent of Congress in shaping our foreign economic policy. We do not intend to imply that the President will misuse the powers granted him, for we are satisfied that he will not. We believe, however, that the failure to spell out congressional intent in our trade legislation seriously impedes this country in its negotiations with other countries.

As a specific example, we cite the abuse which has been so generously heaped upon us as a result of President Eisenhower's decision in the watch case withdrawing certain but not all of the tariff concessions previously negotiated. There can be no doubt that had Congress been forthright in declaring its foreign economic policy, these attacks could have been avoided and more importantly, our Nation would not have found itself on the defensive with foreign countries who themselves have adopted the same policies for which we are so severely criticized.

Senator MALONE. I think your statement there touches a very delicate subject, that these other nations go to every means to prevent imports of goods that they produce. You are aware of that fact, I suppose?

Mr. CARMODY. Yes, sir.

Senator MALONE. Now what is this tariff that was restored to you? What was the original tariff and how much was it cut and how much was it restored? Do you have any record here in your statement?

Mr. CARMODY. No, sir.

Senator MALONE. Don't you think that is important?

Mr. CARMODY. I can furnish that.

Senator MALONE. Don't you know what the tariff was before it was cut?

Mr. CARMODY. It was generally a 50 percent clause, a withdrawal of 50 percent—

Senator MALONE. How much was the tariff before the agreement?

Mr. CARMODY. Well, there are long lists, sir.

Senator MALONE. Do you have any?

Mr. CARMODY. I do have some figures if you want me to get them. I think I have them with me, I am not certain. No, I do not have them with me. I can furnish them.

Senator MALONE. How soon can you furnish them to the reporter?

Mr. CARMODY. I can furnish them to the reporter tomorrow. We can have counsel furnish them tomorrow. I had hoped to be leaving here tonight, but counsel will furnish them to the reporter tomorrow.

Senator MALONE. Will that be in time for them to be included in this record when it is printed?

Mr. CARMODY. Yes; I am sure we can do that.

Senator MALONE. Furnish us the duties, the complete list as they were in 1934, and just how they were affected under the Trade Agreements Act. Now, what nation was the Trade Agreements Act made with?

Mr. CARMODY. The Swiss, Switzerland.

Senator MALONE. Well, then, what date?

Mr. CARMODY. 1936.

Senator MALONE. Tell us then, give us the list in the same table showing just how they were cut on that particular occasion by that trade agreement. Now, is that the only trade agreement?

Mr. CARMODY. That is the only trade agreement that has any bearing on what we are talking about here.

Senator MALONE. They have never been changed since, any of the tariffs in your business?

Mr. CARMODY. Since 1936?

Senator MALONE. Yes; that is what I asked you.

Mr. CARMODY. Yes; there were concessions made at that time, and your question is whether or not there have been any changes since the original concessions were made?

Senator MALONE. Until this restoration.

Mr. CARMODY. No; I believe there were no changes.

Senator MALONE. Well, then, you give us in the table just what the tariffs were before the trade agreement, just what the trade agreements included, and give us then the list of concessions or restorations under this order, and that can all be in one table just opposite each other. Now, will you do that by tomorrow?

Mr. CARMODY. I will make every human effort to have it furnished to you by tomorrow. I think it is all available and in such form that it can be gotten here tomorrow. If it can humanly be done, it will be done. If not, it will be done at the earliest possible moment.

Senator MALONE. I want it to appear in this record.

Mr. CARMODY. Yes, sir.

(The information above referred to is as follows:)

SUPPLEMENT TO TESTIMONY OF EDWARD T. CARMODY ON BEHALF OF CLOCK
MANUFACTURERS ASSOCIATION OF AMERICA, INC.

The following information is submitted pursuant to Senator Malone's request in the course of Mr. Carmody's testimony on March 7, 1955, before the Senate Finance Committee:

1. Comparison of rates of duty on watch movements under (a) the Tariff Act of 1930, (b) 1936 trade agreements with Switzerland, and (c) President Eisenhower's proclamation of July 27, 1954

	1930 Tariff Act rate	1936 Swiss agreement rate	Present rate as increased in 1954
(1) Having more than 1 and not more than 17 jewels:			
Over 1.5 inches wide.....	\$1.25	\$0 90	\$1.25
Over 1.2 but not over 1.5 inches wide.....	1.40	.90	1.35
Over 1 but not over 1.2 inches wide.....	1.55	.90	1.35
Over 0.9 but not over 1-inch wide.....	1.75	1.20	1.75
Over 0.8 but not over 0.9 inch wide.....	2.00	1.35	2.00
Over 0.6 but not over 0.8 inch wide.....	2.25	1.35	2.02½
0.6 inch or less wide.....	2 50	1.80	2.50
(2) Having no jewels or only 1 jewel:			
Over 0.5 inch wide.....	.75	.75	.75
Over 1.2 but not over 1.5 inches wide.....	.84	.75	.84
Over 1 but not over 1.2 inches wide.....	.93	.75	.93
Over 0.9 but not over 1-inch wide.....	1.05	.75	1.05
Over 0.8 but not over 0.9 inch wide.....	1.20	.75	1.12½
Over 0.6 but not over 0.8 inch wide.....	1 35	.75	1.12½
0.6 inch or less wide.....	1.50	.90	1.35
(3) Any of the foregoing having no more than 7 jewels shall be subject to an additional duty (for each jewel in excess of 7) of.....	15	.09	.13½
(4) Any of the foregoing shall be subject for each adjustment of whatever kind (treating adjustment to temperature as 2 adjustments) in accordance with the marking as provided for in subpar. (b) of par. 367, Tariff Act of 1930, to an additional duty (each) of.....	1.00	.50	.50
(5) Any of the foregoing, if constructed or designed to operate for a period in excess of 47 hours without rewinding, or if self-winding, or if a self-winding device may be incorporated therein, shall be subject to an additional duty (each) of.....	1.00	.50	.75

2. Defense essentiality as a basis for the decision of the President in the escape clause proceeding affecting watches

No reference to defense essentiality was contained in the proclamation by the President dated July 27, 1954, implementing the Tariff Commission's recommendations that the 1936 concessions be modified, and that the 1936 rates be increased by 50 percent but not above the 1930 rates.

The White House press release indicated that the President's decision was based on the finding of serious injury to the industry, and that maintenance of the industry for industrial mobilization was only a corollary effect. The press release said, in these connections:

"The United States Tariff Commission, in a report transmitted to the President on May 28, 1954, found that watches are being imported in such increased quantities as to cause serious injury to the American watch-manufacturing industry. The Commission recommended that in order to remedy this serious injury to the domestic industry, rates of duty upon certain types of watches should be increased. These findings and recommendations formed the basis for the action announced by the President today.

"The President's action will have an important collateral effect in contributing to the maintenance of a satisfactory industrial mobilization base for the domestic production of watch movements and other precision devices necessary for national defense.

"An interdepartmental committee on the jeweled-watch industry has recently reported to the Director of the Office of Defense Mobilization that preservation of the unique skills of this industry is essential to the national security."

It was understood at the time of the President's consideration of his decision that certain interested departments challenged the propriety of making the decision on a basis of defense essentiality. This may have been the reason why this ground was omitted in the proclamation and was not cited as a controlling reason in the White House press release. Clock Manufacturers Association's position in proposing its amendment to H. R. 1 is that all doubt should be removed as to the propriety of basing an escape clause decision on defense essentiality.

3. *Tariff concessions on other products of the clock and pin-lever watch industry*

Pursuant to the agreement negotiated at Torquay in 1951, rates of duty were reduced by 50 percent, the maximum permissible, on clocks (par. 368, Tariff Act of 1930). Watches were not involved in this negotiation. Since 1951 the volume of imports of clocks has increased by more than 368 percent.

4. *Other products of the industry now under consideration for tariff reductions*

Under the notice issued February 21, 1955, by the United States Tariff Commission with reference to its investigation No. 3, entitled "Proposed Trade Agreement Negotiations With Switzerland," it is proposed to consider clock-work mechanisms and other timing devices, including substantially all other products of the clock and pin-lever watch industry except those as to which tariff reductions have already been put into effect. On the same date, February 21, 1955, the Interdepartmental Trade Agreement Organization published a notice of intention to negotiate with Switzerland with respect to the same items.

Senator MALONE. All right, go ahead.

Mr. CARMODY. We are primarily concerned that H. R. 1 does not provide a criterion which would permit consideration of national security in connection with escape-clause proceedings or the negotiation of trade agreements. The horological industry is peculiarly qualified to manufacture a wide range of devices and mechanisms absolutely essential to national defense. We are proud of this competence which is the result of teamwork and many, many years of training and developing of skills.

Senator MALONE. Now you know that the President did consider national defense, even though he was not forced to consider it then. You understand that?

Mr. CARMODY. We understand that he is not forced to. He can pick and choose what he will consider.

Senator MALONE. In other words, he could say that there are other skills that can be diverted into this line if he wants to say that, and perhaps there might be.

Mr. CARMODY. Yes, sir.

Senator MALONE. And in any case, he can consider it at this time without any change in the act. He actually did consider it, without any specification in the act, and he is not forced to do it if you put it in the act.

Mr. CARMODY. Yes, but we consider it to be better in than out.

Senator MALONE. For you. Go ahead.

Mr. CARMODY. Not for us, no, sir. We do not accept that interpretation.

Senator MALONE. It is so obvious that it hardly bears argument. Go ahead.

Mr. CARMODY. We have some feelings for others than ourselves and for the national welfare, as we see it.

Senator MALONE. Well, if you do have this feeling, there is a way you can really take care of this industry, and that is by just letting the act expire.

Then there is nobody hurt. We have the national defense taken care of and the foreign countries are not given access to our markets when we have no access to theirs. And, of course, you know that that has been about the effect of the agreements.

Mr. CARMODY. That is unfortunately too frequently true.

Senator MALONE. Why, of course. So it is a one-way street.

Mr. CARMODY. Yes, it is a one-way street, and it is a very difficult field of decision, and honest men can differ in the way it should be handled.

Senator MALONE. All right, honest men do differ. But I am asking you the reason, the basic reason, why you think it ought to be transferred from a definite principle where you know you are going to be protected if you have an industry that you can operate with that differential of cost. Why do you want this act extended and leave it in the hands of the State Department, or the Executive if you want to be technical about it, where all of these extraneous organizations can spring up and set these tariffs without even your knowledge and make you a party to them? That is what they have been doing, isn't it, in the General Agreement on Tariffs and Trade?

Mr. CARMODY. Well, that is it. That is to a large extent it.

Senator MALONE. Well, they are still in session and waiting until they get the result here.

Mr. CARMODY. Yes.

Senator MALONE. And if we are to extend it 3 years, they are really in business, aren't they?

Mr. CARMODY. Yes.

Senator MALONE. But if it is not extended, they are not in business, are they?

Mr. CARMODY. No, they are not in business on GATT as far as we are concerned.

Senator MALONE. And it goes back to the principle laid down by Congress to its agent, the Tariff Commission, and then the President may at any time make a decision to cancel any of the trade agreements—that would be up to him entirely—everything is back on the principle of fair and reasonable competition, and you are in business. You don't have to ask anybody about it.

And when you think you are bribing these nations to be loyal to the United States of America by giving them half of our markets, I think that really is the height of something or other. After watching this go on for 20 years, 2 wars since this act was passed, and another war in preparation, it doesn't look like it is bringing peace very fast, does it?

Mr. CARMODY. No; but it may have saved chaos ere now.

Senator MALONE. Well, we might have had 4 wars in 20 years instead of 2. That could have happened. But that is a pretty good average to have 1 every 10 years.

Mr. CARMODY. Well, this is a matter of degree. It seems from where we sit now that the help immediately after the war was pretty necessary for countries like France and Italy.

Senator MALONE. What do you think they will do now or at any time in the future when you quit, after having built them up with all these markets and all this material and money? Where do you think they are going? You are then really blackmailed. Not a one of them can live that lost their colonies.

We are on record, of course, as trying to protect them in keeping their colonies, but even we can't do that. So where do we think France and England are going when they lose their colonies? You know Spain was a great nation at one time. It would do you a lot of good to study that situation down to the bedrock.

Where are you going in 10 or 15 years from now with these nations on your payroll just like the State Department? Where are you going to stop it?

Mr. CARMODY. Well, I suppose you play by ear as you go along and do the best you can.

Senator MALONE. That is what we have been doing for 22 years. Don't you think it would be a good idea to tune the instrument a little?

Mr. CARMODY. That is what we are advocating, that some tuning be done; yes.

Senator MALONE. Well, go ahead if you think that business that you are advocating is tuning.

Mr. CARMODY. This is not the forum in which to debate the validity of our industry's essentiality. It is, however, appropriate that this committee recognize the existence of certain indispensable industries and skills in its consideration of our foreign economic policy.

Senator MALONE. Who is going to determine whose industry is necessary? Leave that to the President or leave it to the Congress, leave it to the Tariff Commission? Who is going to do that?

Mr. CARMODY. The Tariff Commission is not out of this picture, sir. The Tariff Commission still is the agency of Congress and makes its exhaustive findings and does present them to Congress and the President.

Senator MALONE. And then froze them in the Potomac River. They have no more authority than you have.

Mr. CARMODY. They have no authority, no. They are factfinding. Did they ever have authority?

Senator MALONE. Yes, under the 1930 Tariff Act that is what they did have. They were an agent of Congress and they set the flexible tariff on a basis of fair and reasonable competition, the difference in costs.

Mr. CARMODY. Subject to the Congress' approval of their doing so.

Senator MALONE. No; there was no such approval. They recommended it to the President and it was never turned down under the Tariff Act.

Of course Congress could at any time they wished take up any article, as they did with sugar, and have a sole investigation on one or more products.

But they gave it to the Tariff Commission purposely on a basis of principle, laid down the principle of fair and reasonable competition, difference in cost, under which they were to operate, giving the American producers equal access to their own markets, just like they created the Interstate Commerce Commission and told them to determine these freight rates on the basis of reasonable return on their investment. Many factors entered into that.

I held many hearings with the Interstate Commerce Commission. I was a member of the State commission for 8½ years. Original cost, replactment cost, amortization cost, interest were all considered.

But when you finally determine the value of a railroad or a power company or whatever it is, intrastate for the State commissions or interstate for the ICC, then you determine what reasonable return they should receive on the basis of the kind of service they are rendering, and that was subject to a court appeal. But the principle laid down by Congress was a reasonable return on investment. You know that, don't you?

Mr. CARMODY. Yes.

Senator MALONE. Well, the principle laid down to their other agent, the Tariff Commission, was the basis of what?

It was a basis of fair and reasonable competition, and they are operating under a principle, not an idea of an individual the Tariff Commission can't even penetrate. If a committee of Congress thinks that they are not carrying out that principle, they have them up here to inquire about it, the same as they can and do with the Interstate Commerce Commission.

But on what basis could they have them up here now? There is no principle laid down.

Mr. CARMODY. They are still Congress' agents.

Senator MALONE. Well, Congress' agents without authority at all.

Mr. CARMODY. Why did it take until 1955 before somebody began to test the constitutionality of this transitional or this flopping-over procedure? I wonder why.

Senator MALONE. Well, I don't know. I tried to stop it on the Senate floor. I tried for 8 years.

During the last several years I have tried to get a case filed. It is filed now to let the courts determine its constitutionality, but even if it is constitutional, it is not the thing to do.

That would be evident to anybody who contemplated investing in any industry because you have a State Department (or an Executive, if you have to be technical about it) that can destroy the industry if it is dependent upon a duty based on a difference in cost. They can destroy it any time they want to.

That way you can't get new money in a business. All you can do is get some money to try to save what you have invested.

Go ahead.

Mr. CARMODY. It is necessary that Congress recognize, legislatively, importance to the national security as a proper criterion to be weighed, both in trade-agreement negotiations and in escape-clause proceedings.

Senator MALONE. Would you go for an amendment that would have Congress put in the act that they consider the importance of the economic structure of the Nation—that they consider the economic structure of a neighborhood or a county or a State?

Mr. CARMODY. I think that would be helpful; yes, sir.

Senator MALONE. Would you advocate that we include that part of it? In other words, we could destroy your neighborhood wherever your industry is located; we could destroy that part of New Jersey that was described this afternoon.

Would you say that Congress should put into this law the consideration of the economic structure of it—the county, the State, or the Nation—in deciding on what industries we are going to destroy and what industries we are going to build up?

Mr. CARMODY. I was thinking of it only on the positive side as it being a protective measure. I wasn't thinking of it from the destructive side as to what can be destroyed.

Senator MALONE. I know that, but you want that in the law. Why not put that in the law, then, so you can't destroy the economy of the Nation?

Mr. CARMODY. Well, that is fine with us. I mean I think that is a perfectly reasonable thing.

Senator MALONE. Do you think that would be just as reasonable as including the national defense?

Mr. CARMODY. Yes.

Senator MALONE. All right, go ahead.

Mr. CARMODY. I should think so.

No one has ever seriously challenged this and we do not believe it can be. In fact, the Trade Agreements Extension Act of 1954 was amended to provide that duties not be reduced by the President if he found that such reduction would threaten domestic production needed for projected national-defense requirements. This is an excellent measure. It should be extended to apply to the modification or withdrawal of trade-agreement concessions in an escape-clause proceeding.

On Friday, March 4, 1955, a full-page advertisement appeared in the Journal of Commerce sponsored by a group calling itself the Committee of Foreign Trade Education, which I believe was handed up to this committee here today.

It asked, "Are claims of 'defense essentiality' swamping the President's tariff-reform program?" Until Congress establishes beyond peradventure that essentiality to our national defense is a necessary factor to be considered in our foreign-trade program, free-trade advocates will continue to harass the President in his extraordinarily difficult task with perhaps tragic results to our defense potential.

We do not propose that all American industry be declared essential to national defense. We do hold, however, that some industries and skills are. By some means it is imperative that we retain these industries and skills.

To deny to the President power to use foreign trade flexibility as a means of accomplishing this seems to us shortsighted. It is no longer possible, in the face of the bitter attacks from abroad, to avoid facing up to the question. No congressional policy will be taken to mean a denial by Congress of the validity of affording protection to essential industries by tariffs or any other means.

Senator MALONE. Well, now as a matter of fact, as already mentioned, he did consider the national defense, didn't he?

Mr. CARMODY. Yes; I think the answer must be in a very restricted sense, yes.

Senator MALONE. Well, all of the publicity was on the national-defense basis.

Mr. CARMODY. That was the press' interpretation of what he did, and I think it was probably a very accurate interpretation.

Senator MALONE. Well, then if he could do it and he did do it, why do you say that all this is necessary?

Mr. CARMODY. Because it is conspicuous by its absence at the present time, and it is only by straining a point can you really spell out that as one of the criterion.

Senator MALONE. I don't understand your straining at a point when it is read into the act and it is in the first act that he can consider the overall economy and the good of this Nation. Naturally, national defense is one of the factors. There may be hundreds of factors, as far as he wants to go.

Mr. CARMODY. Well, I suppose one learns from one's own experience. That is certainly a factor here.

I mean one learns from what one has been through and one says at least let's cure what we know to be deficient or wrong.

Senator MALONE. So if you are going to take in all the factors, why don't you make a list of these factors that might be included for the overall good of the Nation, the economy of the Nation, and political

and international situation? Why don't you make a list of these factors that we ought to include if you are going to start naming them?

Mr. CARMODY. Well, we can't cover the waterfront, sir.

Senator MALONE. Well, you covered your waterfront pretty good, so if you are really interested in these other industries, it might be a good idea to give it some thought.

Mr. CARMODY. Well, we shall.

Senator MALONE. All right, go ahead.

Mr. CARMODY. Secretary of Commerce Weeks, in his testimony before this committee last Wednesday, said that the administration will soon propose legislation which will enable it to make a determination of essentiality and to develop means of accomplishing its objectives of retaining our defense potential.

We support this effort wholeheartedly. We believe, however, that it is absolutely essential that as concomitant to that program, specific acknowledgment must be made in H. R. 1 that foreign-trade adjustments may be appropriate means by which this goal can be attained.

Specifically, we recommend that section 7 of the Trade Agreements Extension Act of 1951 be amended by changing the period at the end of the first sentence of subsection (c) to a semicolon and adding thereto the following:

and, if the President finds that such domestic industry is essential to the national defense, he may make such adjustments in the rates of duty, impose such quotas, or make such other modifications as are found and reported by the Commission, as he shall determine to be necessary to maintain at adequate levels the capacity of such domestic industry to produce for national defense.

This amendment, we feel, is in keeping with congressional intent and would not conflict in any respect with the policy of Congress as already expressed in the act. In addition to the specific provision in the 1954 extension act to which reference has been made, the peril point section of the 1951 extension act authorizes the President, before concluding any trade agreement, to "seek information and advice with respect to such agreement from the Departments of State, Agriculture, Commerce, and Defense, and from such other sources as he may deem appropriate."

Senator MALONE. What does he do with those recommendations or what may he do?

Mr. CARMODY. He may, I suppose, since there is nothing written to the contrary, discard them. I am assuming he will not. I am assuming that he is as conscientious in his discharge of his duties as all of us try to be in the discharge of our own.

Senator MALONE. Well, that is wonderful, but I am trying to get this record complete. If you are going to start naming the factors, wouldn't it be a good idea to say that he shall consider this advice and shall act on it if it is conclusive?

Mr. CARMODY. I am afraid, Mr. Chairman, that that would be an overlapping, would it not, of the legislative into the executive sphere when the legislative directs the executive in what it shall do?

Senator MALONE. Well, you are getting very finicky about that right at the last. What do you think of the last? What do you think it is when you amend the Constitution of the United States by a simple act of Congress?

Mr. CARMODY. That is pretty close to—

Senator MALONE. You think that might be pretty close to it?

Mr. CARMODY. Yes.

Senator MALONE. Go ahead.

Mr. CARMODY. We therefore recommend for your consideration the above proposed amendment which will provide for specific recognition of the requirements of national defense as bearing on the administration of the trade agreements program.

Finally, we would like to refer briefly to the bill introduced in the Senate of the United States entitled H. R. 1 amendments (in the nature of a substitute) on February 25, 1955. This bill, among other things, provides in section 7 (d) 11 specific criteria to be considered by the Tariff Commission in escape-clause proceedings.

Without referring in detail to these criteria, we urge that the committee consider amending H. R. 1 so as to provide for specific considerations in escape-clause proceedings.

Senator MALONE. Wait just a minute. You are skipping a little here. What do you mean by "provide for specific considerations in escape-clause proceedings"?

Mr. CARMODY. Well, in the Watkins amendment, so-called, there were 11 specific criteria spelled out.

Senator MALONE. What does he do with them after you spell them out? What must he do with them?

Mr. CARMODY. I suppose they would have no more teeth in them than the present ones that he can ignore if he wishes.

Senator MALONE. In other words, he can already under the broad implications consider them just like he can national defense or he can discard them if he doesn't think they are important, is that right?

Mr. CARMODY. I think the answer must be "yes" to that.

Senator MALONE. Go ahead.

Mr. CARMODY. Such an amendment would be extremely helpful both to domestic manufacturers and to importers.

Senator MALONE. How would they be helpful?

Mr. CARMODY. Well, they wouldn't be helpful if the administering person were not a person of good faith and wished to ignore them.

Senator MALONE. Yes; but he can do it now. The broad implications of the act is he can consider all these things, I have not read it entirely, but they are probably like your national defense setup. They make good reading.

Mr. CARMODY. He can ignore them?

Senator MALONE. Pretty near everybody that is for this thing, is trying to wet the public down with some kind of an amendment so that they think, "Well, now we will be protected," when they will be no more protected than they were before.

Mr. CARMODY. But by the same token I am not persuaded that the Congress can direct the President to act within his own executive sphere.

Senator MALONE. Well, of course they can't, and neither can he act in our sphere. That is one of the contentions of this suit.

But assuming the thing has not been declared unconstitutional—we hope and believe it will be—but until it is, you are trying to write in more details that will go out under publicity as a great protection for the public, whereas they actually furnish no protection at all that you don't now have.

That is obvious to you, isn't it, that if he wants to he can consider every factor that you have mentioned under the already existing broad implications; and if specifically mentioned, he doesn't need to consider it. That is, he can refuse to consider any factor and his decision is final, isn't it?

Mr. CARMODY. That is technically correct and true.

Senator MALONE. Then what are we talking about? Here we have taken a couple of hours to come down to that decision that it amounts to nothing.

Mr. CARMODY. But it is certainly an indication of the intention of Congress.

Senator MALONE. Well, we know the intention of Congress. That is to say, it is plenty broad in the whole implication. He can consider any factor he wants to in the national good.

Mr. CARMODY. But we must assume that the Chief Executive will read diligently and try to follow what Congress has laid down as criteria.

Senator MALONE. Well, he did follow it in your case, didn't he, and if he followed it in your case he certainly wouldn't deny it to anybody else that he thought it belonged to or that it applied to, would he? You believe in him more than that, don't you?

Mr. CARMODY. I believe in him more than that, and I hope I will believe in any future President more than that. Heaven help us if we don't.

Senator MALONE. Well, I can't go along with you on that, but I helped elect this one, and I believe in his integrity. But I also believe that you are loading something on him with which he should not be loaded.

Nevertheless he is loaded with it. Now you take 2 hours here to outline something that he has already considered. He showed you he believed it by giving you relief. Now you come down here all the way from New York, or is it Connecticut?

Mr. CARMODY. Connecticut, sir.

Senator MALONE. Well, I guess most people that live in Connecticut have a business in New York, don't they, and it is a fine State to live in.

But you come down here and spend your own time, perhaps taking all day and 2 hours of the committee's time to say that he has already considered this in your case, you are entirely cognizant of it, and if he considered it with you, naturally you believe he would consider it in any other case that it was applied to, and you come down here and say you want this one little thing written in the bill.

Mr. CARMODY. That is correct, and we think if it is it could be of extreme value under the circumstances.

Senator MALONE. And he would have the same authority that he already has.

Mr. CARMODY. He has exactly the same authority to fail to live up to any of his duties of office.

Senator MALONE. I think that is what is the matter with industry in the United States today—that attitude—and they have had it for 21 years. Go ahead.

Mr. CARMODY. It would enable them to know with more particularity exactly those factors considered by Congress as necessary to constitute import injury.

We in Clock & Watch Manufacturers Association of America, Inc., make these recommendations to this committee because we feel that H. R. 1 as it is now before you does not accomplish the objectives we all seek in our foreign-economic program.

Senator MALONE. With that most of us can agree. I think you can go home knowing that there is unanimous agreement on that point.

As long, however, as it relies on an internationally minded State Department to determine these injuries, I think to that extent you are in danger all the way.

Mr. CARMODY. Security and prosperity in the world can be achieved only through mutual strength. It would be foolhardy for the United States to embark on a program to strengthen our free-world allies while at the same time debilitating our own economy and defense potential. The Congress has the ultimate responsibility for declaring in unmistakable terms that we must and will maintain our strength while we help others regain their feet.

We urge upon you this amendment to H. R. 1 in the interests of a sound and balanced foreign-economic program. We hope that it will be incorporated in the bill you recommend to the Senate.

Senator MALONE. Now just let's have one last understanding so that everybody will know what you made a trip down here for.

You are for the extension of the act if you can get this national-defense amendment in it?

Mr. CARMODY. Well, I suppose since the chairman is being technical, that I must be technical, too, and say that we are not opposing it if that is included.

Senator MALONE. Are you opposing it if it is not included?

Mr. CARMODY. We specifically chose not to come down as a proponent of the bill.

Senator MALONE. Well, are you opposing it without this amendment?

Mr. CARMODY. We are still saying we are not opposing it if this amendment goes in.

Senator MALONE. What about it if it is not included?

Mr. CARMODY. If it is not included we are opposing it. We think it should be included, and without it—

Senator MALONE. You are definitely opposed to the extension of the act if this amendment is not included?

Mr. CARMODY. That is the position that our executive committee took at its last meeting.

Senator MALONE. Is that the position that you are representing now before this committee, that you are definitely opposed to the extension of this act if this amendment is not included?

Mr. CARMODY. Yes, sir.

Senator MALONE. Thank you.

Mr. CARMODY. Thank you, sir.

Senator MALONE. This committee will adjourn until 10 tomorrow morning.

(Whereupon, at 8:05 p. m., the committee adjourned until Tuesday, March 8, 1955, at 10 a. m.)

TRADE AGREEMENTS EXTENSION

TUESDAY, MARCH 8, 1955

UNITED STATES SENATE,
COMMITTEE OF FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10 o'clock a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Barkley, Millikin, Martin, Williams, Flanders, Malone, Carlson, and Bennett.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order. The first witness is Mr. Sam Lenher, president, Synthetic Organic Chemical Manufacturers Association.

Proceed in your own way, Mr. Lenher.

STATEMENT OF SAMUEL LENHER, PRESIDENT SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION, ACCOMPANIED BY DONALD O. LINCOLN, GENERAL COUNSEL, SYNTHETIC ORGANIC CHEMICAL MANUFACTURERS ASSOCIATION

Mr. LENHER. I am Samuel Lenher, president of the Synthetic Organic Chemical Manufacturers Association.

We are not here to oppose the type of foreign-trade program which the President has described as gradual, moderate, selective, and reciprocal. We do not think H. R. 1, in its present form, approaches that kind of a program. We also think there are serious problems in the present trade-agreements program. H. R. 1 does not correct them. By adding broad and vaguely defined new powers to Executive authority, H. R. 1 would aggravate existing problems and create new ones of even greater gravity.

We have recommendations for changes in the bill which should correct these major deficiencies without sacrificing the basic objectives of a moderate program. In broad outline our recommendations are as follows:

1. Extend the Trade Agreements Act, if you will, but permit further tariff reductions only within well-defined limits, such as up to 5 percent a year for 2 or 3 years.

2. Improve the peril point and escape clause to prevent the products and plants of our domestic industries from being driven out of existence a few at a time. Make those remedial procedures apply to producers or segments of an industry producing the articles affected by import competition, rather than allowing the promised relief to

domestic producers to wait on the event of an entire industry's serious injury.

3. Of paramount importance, protect our Nation's security by extending the peril point and escape clause to cover productive capacity determined by the Office of Defense Mobilization or its delegate agencies to be part of the defense mobilization base.

4. Restore the control of Congress over tariff policy by requiring the findings and recommendations of your own expert arm, the Tariff Commission, to be followed unless Congress concurs in overruling them.

5. Require the Executive to be selective in reducing tariffs, rather than forbidding it as the bill would do, lest broad tariff categories embracing hundreds or articles be cut across the board in the course of intending actual concessions on a relatively few of the existing products within broad "basket" provisions.

6. Strike out vaguely defined provisions unduly broad in scope, such as the "negligible quantities" and "over 50 percent" provisions, which lack adequate standards to guide the exercise of discretion in their administration in a manner consistent with either the purposes of the Trade Agreements Act or the tariff status of the affected articles.

We believe we have special justification for offering these recommendations.

There is no industry in the United States today which is so completely the product of United States tariff policy as the synthetic organic chemical industry. The Senate Finance Committee was deeply concerned during the years 1916-22 with the search for a tariff policy which could sustain the peacetime operations of the organic chemical companies which has been built in such desperate haste to meet defense needs in World War I. The chemical schedules of the Tariff Acts of 1922 and 1930 were achieved after the most deliberate study of the problems an American organic chemical industry would face through the years in competing with the well-established foreign chemical industry which included as members the mighty combines of Farben in Germany, the big four in Switzerland, ICI in England, and Montecatini in Italy.

The justification for that policy is as valid today as when it was adopted by your predecessors on this committee. Our industry was built, and its growth has been fostered through the years, because this Nation, in common with every other major power in the world, realized that a strong domestic organic chemical industry is indispensable to national security.

Because of that policy World War II found our industry ready for the tremendous war-production job involved in supplying explosives, dyes, and medicinals for the military, and the countless finished chemicals used by every basic industry in America as raw materials. Our synthetic rubbers, plastics, and fibers—achieved because of the costly and painstaking research of the industry—solved some of the most critical materials problems of the war.

Recent trends in the technology of war have, if anything, intensified the importance of our industry to defense production. Our industry is spending \$602 million for new plants and equipment to fill expansion goals determined to be necessary to give the country an adequate mobilization base in organic chemicals.

Today we are expected to maintain in a state of full readiness mobilization capacity which we compute at 36 billion pounds of organic chemicals a year. Like other industries, we have found that commercial requirements are insufficient to keep our expanded plants operating at this level. We are some 7 billion pounds a year short of the capacity needed for full mobilization.

Our industry's need for tariff assistance has not changed. Today as in the past, we are not competitive with the foreign industry. For very sound technical or economic reasons, "batch processing" with its high unit labor costs remains the common denominator of the United States and foreign industry. Labor costs one-fourth to one-sixth ours, and construction costs only one-half those we pay for comparable plant structures explains the foreign industry's advantage. A steady decline in the share we supply of world trade in dyes and other organic chemicals confirms this fact.

The tariff structure on which our industry is based has been steadily undermined by frequent trade agreement duty reductions. Ninety of the 116 organic chemical tariff items have been reduced, two-thirds of them by 50 percent or more. The ad valorem equivalent of chemical duties has been cut 51 percent, from 25.1 percent prior to trade agreement concessions to 12.4 percent as of January 1, 1953. Due to the war, its aftermath of reconstruction, and the preoccupation of the foreign industry in reabsorbing their home markets and the export markets of the world, no real opportunity has yet existed to observe the effects on our domestic operations of the steady tariff reductions which have been made in the rates in the chemical schedule.

Nevertheless, extensive sectors of our production are now being exposed again to further reductions. In the negotiations for the benefit of Japan it is proposed to grant duty reductions on groups including nearly all our organic chemical intermediates, and on basket provisions which protect the major new sectors of coal-tar finished chemicals. The former are vital to defense production (our production is about a billion pounds a year below mobilization needs for intermediates), while the tariff on the latter is essential to the recovery of research and development investment in our new products. In the Swiss negotiations it is proposed unilaterally to cut the duty again covering our entire dyestuff operations as "compensation" to Switzerland for the recent watch-tariff increase. In both negotiations, the State Department is openly proceeding outside the scope of the authority delegated by Congress in the Trade Agreements Act. In neither negotiation are the proposed reductions being offered to secure reciprocal concessions to open up foreign markets for United States products. In the Japanese case, reductions in our duties will be offered to third countries to induce them to grant concessions to Japan. In the Swiss case, the United States is asking nothing, and has agreed to "compensate" Switzerland when there is neither authority nor a factual basis for doing so.

We cannot remain silent about these recent abuses of trade agreements authority. They affect us directly by exposing without legal warrant our vital tariff position. They affect us all as citizens by establishing precedents for the violation of policies clearly expressed by the Congress in areas which the Constitution commits to its exclusive care.

We are not theorists. We come before you with an existing array of plants and equipment, a dedication of our capital investment to a given sector of industrial production which our Government encouraged to begin, to grow, and to expand under a tariff policy drawn to that purpose. We know that this policy is sound. We have been called upon in war to marshal the strength nurtured by that policy in the Nation's defense. We cannot wish away the fact that our production resources have been shaped by these tariff policies.

We believe that the extensive tariff reductions which have been made in periods of abnormal economic circumstance have warped that structure. In our judgment the additional reductions now improperly proposed on dyes and intermediates, if consummated, will result in a basic dislocation of plants and labor in those sectors of our industry. Above all, we feel that the continued program of tariff reduction which could be carried out under the new and broad authority of H. R. 1 will complete the sacrifice in time of our existing production facilities for synthetic organic chemicals.

We see in this bill, therefore, the necessity for a basic decision by your committee on the tariff policy under which our industry has been created and fostered. If the committee, in its wisdom, feels that this is the time to obliterate the empirical judgment on which that policy is based, let the consequences be foreseen. If our industry is to be written off as a national-security resource, and a new design based on foreign plants and workers substituted, then let it be so. We urge against that course. We think the national interest does, too. The decision is yours.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Are there any questions?

Senator MILLIKIN. What are your suggestions for the action of this committee?

Mr. LENIER. Senator Millikin, our suggestions are embodied in a number of changes and additions to the bill which we have outlined in some detail which I would like to have the committee consider as an extension of this statement, if you would accept it.

The recommendations have firstly to do with the peril point and escape clause, which we would like to see altered within the specific framework of incorporating that within a new bill along the general line of my first point in this brief: To have the individual producers or the segments of an industry considered before serious damage is done to the industry as a whole. We think that is of significant help in the future in a bill of this type for the chemical industry because as you well know the chemical industry has prospered through the years, but with changes in the extension of authority proposed here, it is quite certain that segments of the industry will not prosper in the future.

Senator MILLIKIN. What specifically are you asking so far as the present bill before us is concerned?

What changes should be made? I don't mean in detail. Give me your general idea.

Mr. LENIER. We would add to the bill sections changing the escape clause and the peril point.

We would add—

Senator MILLIKIN. With what point? To accomplish what?

Mr. LENHER. To avoid the impairment of national security. That phrase we would suggest to add after the words "competitive articles" where they appear in subsection (a) of section 3 of the Trade Agreements Extension Act of 1951.

Senator MILLIKIN. You still have not enlightened me. Tell me what it is that you want done with that clause. I don't mean read from some statement you have but just give me the general idea you would like to have done.

Mr. LENHER. We would like to have that incorporated in the body of the bill.

Senator MILLIKIN. What shall be the point of it? I am trying to be friendly with your industry. I am not trying to heckle you. I am trying to find out what you want.

Mr. LENHER. I am trying to give you the answer which would be fully responsive. We would like to have the escape clause and the peril-point provisions effective with regard to the economic protection of industry and the national security position so that—

Senator MILLIKIN. How do you propose to do that?

Mr. LENHER. So that the Tariff Commission can consider the position of industry when application is made to them for relief or when the matter of tariff revision is considered and they can act with a positive authority subject to the review of Congress.

Senator MILLIKIN. Subject to the review of Congress. How does that come about?

Mr. LENHER. Because we feel that—

Senator MILLIKIN. How will that work? You have the present mechanism. What is wrong with the present mechanism? How will you bring Congress into it?

Mr. LENHER. In the present mechanism, the Tariff Commission has found favorable to an application for relief of an industry under the escape clause or the peril point and then the executive branch of the Government has reviewed that and commented on that favorably or unfavorably as it saw fit.

The recent history has been I believe that in most of the cases where there has been a recommendation by the Tariff Commission for relief, that has been overruled by a recommendation of the Executive.

Senator MILLIKIN. Then you want to do what?

Mr. LENHER. We would like to have that action returned to the Congress for their concurrence or dissent.

Senator MILLIKIN. In other words the present law requires the President to give an explanation to Congress as to why he does not heed a request of the Tariff Commission?

Mr. LENHER. Yes, sir.

Senator MILLIKIN. At that point you want the Congress to take over if he finds no injury, although the Tariff Commission has found an injury; is that the idea?

Mr. LENHER. Yes, sir.

Senator MILLIKIN. Congress can do that now.

Senator WILLIAMS. If I may interrupt. If I understand correctly what you are proposing is that these changes recommended by the Tariff Commission would automatically go into effect if there was not negative action taken by the Congress?

Mr. LENHER. That is my understanding.

Senator MILLIKIN. Would you cut the President's present authority out of the act completely? Would you leave him any power in the matter at all?

Mr. LENHER. We would leave him the power which would give him and his branch of the Government—I would like to qualify that. I am speaking not against the President's actions here but rather that of his advisers in this matter. I would leave them the power to comment, but we would prefer to see the authority for the creation and the adjustment of tariff changes left with the Congress.

Senator MILLIKIN. I am trying to figure out how much of the present system would you save and how much would you destroy?

Mr. LENHER. Would you mind if I call on one of my colleagues to answer that who is present, because as a manufacturer I am not able to answer that as fully as I would like to, Senator Millikin.

Senator MILLIKIN. That is perfectly all right.

Mr. LENHER. Mr. Lincoln would you answer the Senator's question, please?

Senator MILLIKIN. Will you identify yourself?

Mr. LINCOLN. Donald Lincoln, sir, of Steptoe & Johnson, general counsel for the association.

Senator MILLIKIN. Tell us what you want to do with the bill that is before us.

Mr. LINCOLN. Yes, sir.

As Mr. Lenher has explained, Senator, the association has submitted in connection with Mr. Lenher's statement an Appendix I which takes up each section of the bill which the association feels should be changed.

Senator MILLIKIN. Yes. We have that.

Mr. LINCOLN. I will attempt to summarize the major provisions.

Senator MILLIKIN. Tell us the major provisions. Tell us the main points.

Mr. LINCOLN. There are 3 provisions in the bill, for 3 types of tariff reduction. There is, first, of course, the 15 percent, up to 15 percent, 5 percent a year.

There is the provision providing authority to bring down to 50 percent, all those ad valorem or equivalent duties which are over 50 percent, and there is a provision to bring down to 50 percent of the 1945 rates those articles which are being imported in negligible quantities.

It is the latter two provisions which the association believes are not in accordance with a moderate program of tariff reduction, are not necessary to the accomplishment of that program, and go beyond the authority which the Executive needs to carry out such a moderate program.

Senator MILLIKIN. Therefore what do you want to do?

Mr. LINCOLN. With respect to the 50 percent—bring down all those over 50 percent to 50 percent on present rates, we would strike that power from the bill.

Secondly, with respect to the negligible quantities provision, we would strike that provision from the bill. We don't think either one of those provisions have any factual validity.

Next with respect to a more technical provision which we believe is also at war with a moderate program: That is the provision that requires the President when dealing with basket categories in a trade

agreement, even though only attempting to negotiate with respect to a few products in a basket, to reduce the rate on the whole basket simply to get a reduction on a few products in that basket.

Again we don't think that is consistent with a moderate program and it would fall without reason or validity on a number of products.

Senator MILLIKIN. What else?

Mr. LINCOLN. I think that covers in essence the bill itself with one exception. There is a provision in the bill for the first time in the Trade Agreements Act which sets forth the types of matters which the Executive may include in trade agreements.

That section, 3 (a) : (a) (1) (A), is the provision which sets forth authority to enter into trade agreements with foreign governments going beyond rates and sets out the types of matters which would be covered in such trade agreements.

We believe that section could give the Executive authority to include in trade agreements many matters other than just the reduction of rates and then with the authority to proclaim the provisions of a trade agreement override many of the provisions of our Tariff Act other than rates.

Senator MILLIKIN. Then do you feel that should be stricken out?

Mr. LINCOLN. Yes; we do.

That covers the main major provisions of the bill itself.

Senator MILLIKIN. Anything about the escape clause or peril point?

Mr. LINCOLN. Yes. Mr. Lenher was directing himself to additional amendments or sections we would add to this bill to accomplish other purposes we believe are necessary, first with respect to amendment of the peril point or escape clause to protect the mobilization capacity of our country from injury, resulting from imports.

Senator MILLIKIN. How would you do that?

Mr. LINCOLN. We would do that, Senator, by adding to the factors in the escape clause or peril point on which the Tariff Commission must determine whether there is serious injury, an additional factor, namely, impairment of national security; and we would define impairment of national security to mean that capacity which the Office of Defense Mobilization finds is necessary in any particular industry to accomplish our mobilization base.

Senator MILLIKIN. That should be protected in both the peril point to start with and in the escape clause?

Mr. LINCOLN. That is correct, Senator.

Senator MILLIKIN. What else?

Mr. LINCOLN. Then we would leave it to the Tariff Commission, as under present decisions, once having that determination from the Office of Defense Mobilization, to determine whether a particular concession would be likely to cause an increase in imports which would affect adversely that mobilization base determined by the ODM for that particular industry.

Senator MILLIKIN. We are all supposed to understand these things, but for the sake of the record what do you mean by mobilization base?

Mr. LINCOLN. Mobilization base as I understand it is the amount of industrial capacity which our Government believes is necessary to enable this Nation in the event of war to supply all of the materials that we need for our military and essential civilian needs.

Senator MILLIKIN. Thank you very much.

Mr. LINCOLN. Now there are two further amendments—or additions—that we would make to this bill.

Still with respect to the peril point and escape clause, we would recommend that since the present provisions require serious injury to an entire industry, that those provisions be amended so that the Tariff Commission would be looking, not at the fact of serious injury to an entire industry, but injury either to a producer, a segment of an industry, or an entire industry so that our industries might not, a product at a time or a segment at a time, be injured before we brought into play any protection from imports.

Senator MILLIKIN. What else?

Mr. LINCOLN. The third amendment which the association is recommending, Senator, is that with respect to the findings of the Tariff Commission under the peril point and escape clause that if a determination is made of injury and if the President or the executive department believes that in the national interest that relief should not be granted, that fact should be made known to the Congress that he wishes to depart from that recommendation.

Then the association position is that there should only be a departure from the Tariff Commission recommendation if the Congress concurs.

Senator MILLIKIN. At the present time the President has to send a letter to the Congress explaining why he does not accept the recommendation of injury, but the Congress is not required to do anything about it?

Mr. LINCOLN. Yes.

Senator MILLIKIN. Are you suggesting that the Congress be required to do something about it one way or the other?

Mr. LINCOLN. If it is the President's position that he feels it is necessary to depart from the recommendation of the Tariff Commission, your expert body.

The CHAIRMAN. Any further questions?

Senator MARTIN. I have no questions. The questions of Senator Millikin and the answers clarify the situation.

Senator FLANDERS. I would like to ask the chairman whether we have in our files and have had in our testimony any list of the imports subject to more than a 50-percent duty. I think it would be very interesting for us to look that list over and see what is involved in it.

The CHAIRMAN. There has been no such testimony before this committee. It may be in the testimony before the House committee. We can have the staff look it up.

Senator MARTIN. If it is not in the Ways and Means testimony, can we make it available for the committee?

The CHAIRMAN. That will be done.

(The document referred to is filed with the committee.)

Senator FLANDERS. Is it in here? That is the report. I haven't found it.

Senator MARTIN. If it is not in there, it will be put in the record.

The CHAIRMAN. You are speaking of a list of those articles.

Senator WILLIAMS. Mr. Lenher, did I understand that you wanted appendixes 1 and 2 made a part of our committee records?

Mr. LENHER. Yes, sir.

The CHAIRMAN. Without objection, that will be done.

(The documents are as follows:)

APPENDIX I. ANALYSIS AND COMMENT ON SECTIONS OF H. R. 1 WHICH ARE RECOMMENDED FOR MODIFICATION OR DELETION FROM THE BILL

Section 2 (p. 1, lines 5-9) : Extends trade agreement authority for 3 years, to June 30, 1958.

Comment.—The trade-agreements legislation was sponsored by Cordell Hull frankly as “an emergency remedy for emergency conditions.” The Ways and Means Committee of the 73d Congress in reporting the bill recognized that it did not remove from Congress “its control of policy which must underlie every tariff adjustment.” The committee declared that “Congress must and always will declare the policy to which the Executive gives effect.”

President Eisenhower’s foreign-trade message of January 10, 1955, characterized his foreign-trade program in a sense as an emergency program which was designed to stimulate economic growth in the free world as a measure to be used in the struggle against communism. He has more recently given his assurance that the authority would not be used “to undermine American industry or to take steps which would lower the high wages received by our workingmen and women.” In a similar vein President Roosevelt in 1934 gave his assurance “that no sound and important American interest will be injuriously disturbed” by the exercise of the trade-agreements authority.

Nevertheless in the administration of the trade-agreements authority, domestic industries have been injured, and it has been necessary for the Congress to amend the basic legislation from time to time in an effort to correct those departures from its declared policy.

If the Congress now extends the trade-agreements authority on the understanding that it is to be used for the purpose described by the President and in a manner which will avoid injuring domestic industries and workers, the Congress must, if it is to retain control over the policy on which tariff adjustments are made, limit the extension to a period which will call the program up for review in a short enough period of time that abuses can be corrected, or the policy modified to changed circumstances. It would seem that the maximum extension should be 2 years.

Recommendation.—Limit the bill to a 2-year extension by changing the figure “1958” on line 9, page 1, to read “1957.”

Section 3 (a) (1) (A) (p. 2, lines 20-25; p. 3, lines 1-12) : Describes for the first time the subjects which can be covered in a trade agreement; viz, tariffs, most-favored-nation standards, standards of nondiscriminatory treatment, quantitative restrictions, customs formalities, and other similar international trade matters designed to promote the purposes of the act. Matters of this sort may not be given effect under the bill in a way inconsistent with existing law. Enactment is not to indicate approval or disapproval of the organizational provisions of any trade agreement.

Comment.—This section broadens the scope of trade agreements beyond adjustment in duties, import quotas, or existing customs treatment which by necessary implication constitute the scope of agreements under present law. The subjects enumerated in the bill are broad enough to encompass the substantive provisions of an agreement such as GATT. It is feared that this section of the bill might authorize the President to change contrary provisions of existing law, such as the antidumping, countervailing duties, and customs valuation provisions, by proclaiming effective the substantive provisions of a trade agreement—GATT, for example. If Congress authorizes the President to cover certain matters in a trade agreement, it would seem to follow that it intends the treatment given them in the trade agreement to be controlling. The first proviso does not clearly forbid changing the substantive provisions of our tariff laws by proclamation, making effective the type of provisions which Congress by this section would authorize to be put into a trade agreement, any more than it forbids changes of rates provided by present law. The second proviso of this section is in line with such an interpretation because it states that the enactment of the bill will not indicate approval by the Congress of organizational provisions of any agreement entered into under this section. The inference is that enactment may constitute approval of the substantive provisions of a trade agreement, GATT for example, particularly as they relate to the subjects enumerated in this section.

Recommendation.—Place a period after the word “thereof” on line 21, page 2, and strike everything thereafter.

Section 3 (a) (2) (D) (i) (p. 4, lines 12-13): Duties may be reduced in trade agreements entered into after June 12, 1955, by 15 percent below the July 1, 1955, rate.

Comment.—The 15-percent limitation is appropriate only if the 3-year extension presently provided for in the bill is retained. If this period is reduced to 2 years, as is recommended above, the 15 percent limit in this provision should be reduced to 10 percent.

Section 3 a() (2) (D) (ii) (p. 4, lines 14-25; p. 5, lines 1-2): Duties may be reduced in trade agreements entered into after June 12, 1955, by 50 percent below the January 1, 1945, rate, on articles determined by the President to be normally imported in negligible quantities; such items must be identified on the list of articles furnished by the President to the Tariff Commission for peril-point findings.

Comment.—This provision falsely assumes that a 50-percent reduction is required to change imports from negligible quantities to substantial quantities. As such it is contrary to the moderate reductions described in the President's message. Negligible imports may be explained by factors quite apart from the tariff rate, such as the existence of patents which exclude imports without a license, secret technology or know-how which simply makes the product unavailable in foreign commerce, or a lag abroad in the technology concerned with the development of new products. In these instances, if tariff rates are reduced while imports are negligible, as soon as the foreign industry catches up with the technology—as it inevitably does—the domestic industry will have been deprived of the tariff protection which may be required to equalize costs of production here and abroad and permit the domestic producer to recover the research and development expenditures which have been invested in the commercialization of the product.

Recommendation.—This subparagraph should be deleted from the bill.

Section 3 (a) (2) (D) (iii) (p. 5, lines 3-23): Duties may be reduced in trade agreements entered into after June 12, 1955, down to 50 percent ad valorem on items with duties now above that amount. The ad valorem equivalent of specific or compound duties is to be determined by the President for a period determined by him to be representative. In this he is to use section 402 valuation concepts to the extent he finds practicable.

Comment.—No justification has been offered by the Randall Commission, the administration's spokesmen in the hearings on the bill, or the Ways and Means Committee report for the arbitrary target selected in this subparagraph as a ceiling for United States tariffs. The figure "50 percent" has no particular validity with respect to any product. If it be assumed that the target was selected with a view to reducing all United States tariffs which are too high, no valid determination has been made of a level which may be reasonably regarded as a dividing line between too high and too low. Whether a particular rate is regarded as too high or too low depends upon the differences in the cost of production of the product at home and abroad in the principal exporting country.

Recommendation.—This subparagraph should be deleted.

Section 3 (a) (2) (E) (p. 5, line 24; p. 6, lines 1-9): If the Japanese trade agreement is signed after June 12, 1955, cuts of 50 percent below January 1, 1945, rates can be made if the President finds it necessary in order to expand Japan's markets (including those with third countries).

Comments.—The administration is conducting the current Japanese trade agreement negotiations with respect to certain products on a basis clearly contrary to the policy of Congress expressed in the Trade Agreements Act. Instead of reducing the duty on these products to expand foreign markets for products of the United States by opening up corresponding market opportunities for Japanese goods in this country, the United States negotiators will be opening up market opportunities in the United States for the products of third countries on condition that the country to whom the concession is granted will open up its markets through tariff reductions not to products of the United States but to products of Japan. These multilateral negotiations in which the United States receives no concessions for its reductions in duty are contrary to the bilateral and reciprocal principle of the Trade Agreements Act. This subparagraph of the bill would ratify that illegal course of conduct. Multilateral negotiations of this sort are also a bad precedent for the future.

Recommendation.—This subparagraph should be deleted.

Section 3 (a) (3) (B) (i) (p. 6, lines 16-23): On cuts of 15 percent below the July 1, 1955, rate, only 5 percent takes effect initially.

Comment.—If the recommendation made herein to limit the extension of the Trade Agreements Act to 2 years with tariff reductions limited to 10 percent in that period is adopted, the figure of 15 percent on line 19, page 6, should be changed to 10 percent.

Section 3 (a) (3) (B) (ii) (p. 6, lines 24–25; p. 7, lines 1–2) : Otherwise, no more than one-third of the cut can initially take effect at one time.

Comment.—If the “negligible imports” and “over 50 percent” provisions of the bill are deleted as is recommended herein, this subparagraph should be deleted.

Section 3 (a) (3) (C) (p. 7, lines 7–16) : No cut of 15 percent of the July 1, 1955, rate can become initially effective after the 3-year period, except that periods in which the cut is not in effect because of United States law or action will be excluded in determining when the 3-year period ends.

Comment.—The last sentence of this subparagraph could have the effect of projecting bits and pieces of the President's authority beyond the 3-year limit of the bill. The difficulty to the public in remaining apprised of the exact tariff reduction authority held by the President and the possibility that future extensions of authority would be clouded by fragments of projected authority under this section indicate that this feature of the bill should be deleted. Also, if the bill is limited to a 2-year extension, an appropriate change should be made on line 10, page 7.

Recommendation.—Delete lines 11 to 16, page 7; change the word “three” in line 10, page 7, to read “two.”

Sections 3 (a), (3) (D) (p. 7, lines 17–25; p. 8, lines 1–7) : To “round out” reduced rates, the President can exceed the limit on decreases under the bill by going to the next lower whole number or by one-half of 1 percent ad valorem, whichever is lower.

Comment.—Where tariffs which have already been substantially reduced under previous trade agreement authority are concerned, the additional rate reductions permitted by this section could have the effect of increasing the total reduction permitted in any year by as much as 5 percent. The accident of a fraction could be the cause for certain products being discriminated against by being subjected to greater reductions than other products. This provision could easily expand the 15 percent authority in the bill to an actual 30 percent reduction on many items. The objective of this section of simplifying the computation of duty after reduction of the rate can as easily and logically be achieved by compelling the trade agreement negotiations to stop short of the full amount of any permissible reduction at the required point appropriate to yield a simple fraction or whole number, as the case may be.

Recommendation.—Delete this subparagraph.

Sections 3 (a) (4) (p. 8, lines 8–11) : The President is to avoid subdivision of classification categories in trade agreements to the extent he deems practicable and consistent with the purpose of the trade agreements law.

Comment.—This subparagraph of H. R. 1 is at war with the President's assurance that the trade agreement authority would be used to make reductions on a selective basis. Where “basket” tariff provisions are concerned, the classification category may cover hundreds of individual products. The actual negotiation of a tariff concession with a foreign country may be conducted on the basis of that country's desires with respect to only the limited number of these articles which its producers make. This subparagraph of the bill might be deemed to require the tariff rate applying to the entire basket to be reduced. Selectivity in an instance of this sort can be secured only if the President is free to separate out of the basket the particular products on which the concession is or should be negotiated. Subdivision of classification categories in this instance is a desirable objective, though in other respects where this problem is not present the unnecessary proliferation of classification subdivisions is, of course, to be avoided. A better approach is the comparable subparagraph in H. R. 8860 of the 83d Congress which provided that the President should avoid subdivision of classification categories “which might give rise to confusion or controversy.”

Recommendation.—Substitute for this subparagraph of H. R. 1 the corresponding subparagraph of H. R. 8860, reading as follows :

“In exercising his authority under this section, the President shall avoid the subdivision of classification categories which might give rise to confusion or controversy, whenever this may be done consistently with the purposes of the trade-agreements legislation.”

Section 3 (b) (p. 9, lines 3–23) : Applies the duty reduction limitations of the bill to products of Cuba in the context of Cuba's preferential tariff treatment.

Comment.—In order to conform the language of subparagraph (2) of this subsection to the changes recommended in earlier portions of the bill, lines 12–23, page 9, of the bill should be amended to read as follows:

“(2) In order to carry out a foreign-trade agreement entered into by the President on or after June 12, 1955, below the limit specified in subsection (a) (2) (D) (subject to the provisions of subsection (a) (3) (B) and (C)) as relating to the rate of duty applicable to products of Cuba.”

Section 3 (c) (2) (C) (p. 10, lines 22–25; p. 11, lines 1–4): If the Japanese trade agreement is entered into before July 1, 1955, its reduced rates will be considered as the rates in existence on July 1, 1955, for the purpose of making the 15-percent reduction below July 1, 1955, rates authorized by the bill.

Comment.—In fairness to the domestic interests whose products will be included in the Japanese trade agreement, these articles should not thereafter be subjected to further reductions in which the reduced rates provided in that agreement, whenever finally proclaimed, are the base from which the new tariff reduction authority in the bill could be applied.

Recommendation.—This subparagraph should be deleted.

APPENDIX II. ANALYSIS OF VIOLATIONS OF CONGRESSIONAL POLICY IN PROPOSED SWISS AND JAPANESE TRADE-AGREEMENT NEGOTIATIONS

THE NEGOTIATIONS WITH SWITZERLAND

Recent trade-agreement preparations show the necessity for Congress to incorporate suitable measures in any extension of the Trade Agreements Act to insure that it and not the Executive retain effective control over our foreign-commerce policy.

It was never intended that Congress relinquish that control. The Senate Finance Committee in reporting the basic legislation in 1934 incorporated approvingly the majority report of the Ways and Means Committee, which stated:

“The proposed bill, nevertheless, does not remove from Congress its control of policy which must underlie every tariff adjustment. Although the exigencies of present-day conditions require that more and more of the details be left to Presidential determination, the Congress must and always will declare the policy to which the Executive gives effect.”¹

The policy of Congress has not been followed.

To illustrate: In 1934, the Senate Finance Committee with great care amended the trade-agreements bill, as stated in its report, “to make clear that Congress under the proposed bill is establishing a policy and directing the Executive to act in accordance with the congressional policy only when he finds as a fact that existing duties or other import restrictions are unduly burdening and restricting the foreign trade of the United States.”² This is the form in which the bill became law and, in this respect, remains the law today.

The State Department's announcement on February 21, 1955, of trade-agreement negotiations with Switzerland shows into what complete disregard this congressional policy has fallen.

Coal-tar dyes are included on the list of products proposed for duty reduction. The rate of duty on dyes was previously cut in the Swiss trade agreement in 1936.

Unless the President could find as a fact that the existing United States duties on coal-tar dyes are unduly burdening or restricting the foreign trade of the United States, the congressional policy stated in the act simply does not authorize any change in the duties. What is the fact?

Imports of dyes from Switzerland have increased steadily at existing duty rates:³

1937	-----	\$2, 432, 510
1948	-----	2, 720, 709
1953	-----	3, 931, 194
1954	-----	5, 160, 204

Obviously the duty on dyes is not unduly burdening or restricting imports from Switzerland.

Quite the contrary, the justification for the proposed reduction is placed on an entirely different ground—one quite outside the scope of the congressional policy.

¹ S. Rept. No. 871, 73d Cong., 2d sess., April 26, 1934, p. 17.

² *Ibid.*, pp. 1, 2.

³ Bureau of Census, FT 110 (Schedule A No. 8050200).

The official notice indicates that the proposed reductions are for the purpose of compensating Switzerland for United States action in raising the tariff on watches.⁴

What are the facts here? The President's action in raising the tariff was taken under section 7 of the Trade Agreement Extension Act of 1951, which says nothing about "compensatory" concessions. Nor has the policy of Congress expressed in the trade-agreements law ever been changed so as to authorize modifications of duties as compensation when in obedience to congressional policy duties are raised to correct injury caused a domestic industry.

A provision of a trade agreement cannot rise above the law which gives it being. To say that any provision of the Swiss trade agreement changes the policy laid down by Congress defining the instances in which duties could be modified by Presidential proclamation would be to give the proclamation the effect of overruling existing law.

For what are the Swiss to be compensated? During the period 1931-35 the Swiss supplied 47 percent of the United States market for jeweled watches. As a result in whole or part of the concessions granted in the Swiss trade agreement, this ran to 80 percent by 1953. The domestic jeweled-watch industry, which supplied 53 percent of the market before the trade-agreement reduction in watch duties, was steadily crowded out of that market until by 1953 it supplied only 20 percent.⁵ It was contrary to congressional policy in the basic trade-agreements legislation that any domestic market would be handled over so completely to a foreign country. The Ways and Means Committee report stated, for example:

It is clear that the authority which [the bill] would delegate to the President must be very carefully exercised so as not to injury manufacturers or domestic producers.⁶

If obedience to the congressional mandate is to be converted by Executive action into an occasion for "compensation," Congress has indeed lost control of the "policy which must underlie every tariff adjustment."

Quite apart from these considerations, there could not be as a matter of fact any basis for compensating Switzerland, because there is no evidence that the raising of the tariff has injured Switzerland.

The tariff increase applied to exports to the United States on or after July 28, 1954, and, on articles exported before that date, to entries or withdrawals for consumption on or after August 27, 1954.⁷ The watch cartel in Switzerland gives a glowing account of the industry's operations in 1954 despite the tariff increase. Its year-end report states that "1954 will go down in history as one of the three best financial years the Swiss watch industry has ever known."⁸

To be sure, there was a decline in imports of watches and clocks from Switzerland in 1954, but factors clearly foreseen in 1953 and not the tariff were responsible. As explained in a despatch from Bern,

"By the end of 1953, it was widely recognized that the worldwide watch market was reaching a saturation point, at least temporarily, and that some retrenchment might be necessary."

Actually, imports of watches and clocks were lower in the first half of 1954, before the tariff increase, than in the balance of the year. The value of clocks, watches, and parts imports from Switzerland during the first 6 months of 1954 was \$27,299,317. During the next 5 months imports increased to \$28,292,860.⁹

Certainly there has been no adverse effect on the Swiss economy. Switzerland's total watch exports by value for 1954 were only 6 percent below 1953's alltime record total.¹¹ Moreover, as a recent foreign-service dispatch from Bern states, "expansion of production and exports of the machinery, instruments and chemicals industries more than balanced a decline in activity in the watch and some segments of the textile industry in 1954."¹²

There is no basis in the law's policy or in the facts for a reduction of our tariffs to "compensate Switzerland."

⁴ Interdepartmental Trade Agreements Organization, release, February 21, 1955, p. 1.

⁵ U. S. Tariff Commission, report, Escape Clause Investigation No. 26 (processed), table 12.

⁶ H. Rept. No. 1000, 73d Cong., 2d sess., March 17, 1934, p. 13.

⁷ T. D. 53551.

⁸ Supplement of the Journal Suisse D'Horlogerie et de Bijouterie, No. 11/12, 1954, p. 2.

⁹ F. S. Despatch No. 386, December 3, 1954, p. 8.

¹⁰ Bureau of Census, Rept. No. FT 120.

¹¹ F. S. Dispatch No. 544, January 31, 1955, p. 2.

¹² *Ibid.*, p. 1.

There can be no certainty in the factors upon which citizens order their affairs—in which our business interests invest their capital for productive use—if there can be no confidence in the restraints placed upon those whom the people of necessity must entrust with their power.

It is not enough that our administrators be motivated conscientiously by zeal to achieve objectives committed to their care. They must needs proceed under the law or not at all. It is for the Congress to decide the means, and the range of choices open to the Executive must always be circumscribed by the plainly expressed congressional will.

This is not the case today in the execution of the trade-agreement authority.

THE NEGOTIATIONS "FOR THE BENEFIT OF JAPAN"

The course of action being taken by our Government in the impending negotiations "for the benefit of Japan" is another illustration of that fact.

The trade-agreements act says its purpose is "expanding foreign markets for the products of the United States." The executive department says that the purpose of the forthcoming negotiations at Geneva is "improving Japan's trading prospects in the free world."¹³

Again, the means specified by the trade-agreements act for the attainment of its purposes is "*regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States.*" [Italic supplied.] But the impending negotiations at Geneva are to proceed with reference to some products on the basis of admitting foreign goods into the United States so that foreign markets will be made available in third countries—not to United States producers, but to Japanese producers. Thus, the official announcement of the negotiations stated, "there are a relatively few articles of interest primarily to countries which may decide to negotiate with Japan," adding, "no concessions would be made on such products if the country having a primary interest does not complete its negotiations with Japan."¹⁴

The United States is prepared to offer duty reductions on these items—not as a means of securing reciprocal concessions which would open up markets for United States producers abroad, but to induce other countries to grant concessions to Japan in which Japan's producers are interested.

Can the Congress really feel that it is setting the policy and keeping control of the policy on which tariff adjustments are to be made, as the committee reports on the first trade agreements act affirm, when the Executive with such little reluctance makes such a plain departure from the conditions Congress has specified?

We would suppose that there is no dissent from the desirability of succoring Japan's economic strength. She is a friend, and we believe in helping our friends. But is Japan our sole obligation? Is she not the joint responsibility of the free world? Must the United States buy the support of its allies as our Government's notice on the forthcoming trade negotiations frankly indicates?

We ask these questions because adequate tariff assistance is basic to the profitability of our industry's operations. The executive department has placed on the Japanese list almost the entire body of more than 1,000 coaltar intermediates.¹⁵ Among the tariff categories listed is a basket provision¹⁶ which covers our industry's new finished products in commercial fields unknown in 1930. Without the tariff the large research and development investment made in these new products would often be unrecoverable.

Japan has little or not interest in these intermediates and the finished products. She has no export surplus, and makes only a handful of the intermediates for home use. The tariff on these items is not burdening our trade with Japan. They cannot be considered in negotiations with Japan without violating the "principal producer" rule which the House Ways and Means Committee report¹⁷ on the basic act assures will be followed in order that the most-favored-nation doctrine will not result in a wasting of United States bargaining power through

¹³ Interdepartmental Committee on Trade Agreements, notice, November 13, 1954, p. 1.

¹⁴ Interdepartmental Trade Agreements Organization, release, November 13, 1954, p. ii.

¹⁵ Tariff pars. 27 (a) (1) (5), 27 (a) (3) (5), and 27 (a) (4) (5).

¹⁶ Tariff par. 27 (a) (3) (5).

¹⁷ H. Rept. No. 1000, 73d Cong., 2d sess., March 17, 1934, p. 16.

the acquisition of trifling concessions from nations to whom the products are of but secondary importance.

Most serious of all, our industry is producing these intermediates on the Japanese list well below the capacity required for defense-mobilization needs. Under congressional policy of maintaining in a state of full readiness the capacity to resist an aggressor, we feel that it is urgently important that there be no further reduction on these items, already sharply cut in late 1951; so long as our peacetime production is significantly below the level required to keep our defense capacity in a state of readiness.

Senator BARKLEY. Is the position of your organization, Mr. Witness, that the bill ought to be amended if the President lowers rates that that should come to Congress or does it include if he should raise them, would that come to Congress too?

Mr. LENHER. I think I would like to ask our counsel to answer that question, Senator Byrd, if I may.

The CHAIRMAN. He may answer.

Mr. LINCOLN. Senator, the association's position is that, if the President is to overrule a recommendation of the Tariff Commission with respect to the peril point or escape clause, then that would go to Congress.

They are not directing their attention to action by the Executive under other sections of the tariff act for increase in duties. They are just directing their attention to these two provisions, the peril point and escape clause.

Senator BARKLEY. In other words if those interested in the matter should not feel that the President had permitted them to escape from some peril which they think faces them, then they can bring it to Congress.

Mr. LINCOLN. That is in essence their position I believe, Senator.

Senator BARKLEY. Sort of a one-way street, isn't it?

Mr. LINCOLN. I don't believe so, because the only way the industry becomes directly involved in tariff adjustments under the Trade Agreements Act is under these two provisions, the peril point or escape clause.

That is the only piece of legislation to which they are now directing their attention.

Senator BARKLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Lenher, how many organizations or companies or individual producers are members of your association?

Mr. LENHER. I believe currently 94, Senator.

Senator MALONE. What is the aggregate production value of these 94 producers if you know?

Mr. LENHER. The total sales of the industry—and I think we represent better than 90 percent of the capacity—was about \$4 billion, that is the last record we have.

Senator MILLIKIN. Do you mind an interruption?

Senator MALONE. I would be happy to have you do so.

Senator MILLIKIN. How many employees?

Mr. LENHER. 200,000.

Senator FLANDERS. May I also interrupt for a moment. Would you give me half a dozen examples of the products of the synthetic organic chemical manufacturing industry, just half a dozen so we get some notion of what you are doing for a living.

Mr. LENHER. Plastics, dyes, pharmaceuticals, perfumes, flavorings, solvents, such as alcohol, methanol, acetone.

Senator FLANDERS. All right. I was puzzled about synthetic organic chemical industries. I thought you were making organic compounds out of inorganic stuff. I did not know there was a \$5 billion business in that.

Mr. LENHER. No. Really it represents the modern organic chemical industry. It is almost all by synthesis.

Senator WILLIAMS. It is my understanding that it is the position of your industry that if tariffs are reduced further you would be jeopardized in that you would have to close down some of your plants.

Mr. LENHER. Certain segments of the industry would be jeopardized. I am sure that other sectors of the industry would be affected very little but in the current reductions, which are proposed in the Japanese and Swiss negotiations, I am confident that there would be a material deteriorating effect on the economic position of the industry in which those reductions would come into play.

Senator WILLIAMS. Which would result in further unemployment in the industry in line with Senator Millikin's question?

Mr. LENHER. Yes; it would result in further unemployment. The matter that concerns us in addition to the effect on the industry which certainly we have to concern ourselves with as employers is the fact that we do not believe that the objectives of the tariff reduction would in fact be met, namely helping Japan in the one instance, and in the second instance compensating Switzerland.

Senator WILLIAMS. In the event of war we would be dependent on foreign sources for that material?

Mr. LENHER. Yes; we would to the extent that that capacity had been deteriorated or had decreased from economic attrition.

Senator MARTIN. Do you have any unemployment at the present time in the industry?

Mr. LENHER. Currently there is unemployment in the industry, Senator. We have lost about 24,000 production workers, net, since August 1953; a little over 10 percent. There was a considerable amount of unemployment during 1954 but in the recent pickup in business that was corrected to the extent of 4,000 jobs.

Senator MALONE. Mr. Lenher, as long as the Senator has asked that question, does the current preparation for war contracts help in that current employment, such as the materials for defense organizations?

Mr. LENHER. In the recent change in business that is not an important factor. That has been a continuing part of our business in recent years, particularly since the Korean incident.

Senator MALONE. It is a part of your business. A definite part?

Mr. LENHER. Yes; it is an integral part of our business.

Senator MALONE. If suddenly these war contracts or preparation for war ceased and with the production you now have you would be in a serious condition; would you not?

Mr. LEHNER. It would require some readjustment of schedules and employment in our plants.

Senator MALONE. Wouldn't it require you to go back to peacetime industry entirely into the market which is already being furnished by foreign nations.

Mr. LENHER. There would be readjustment required.

Senator MALONE. As far as your synthetics are concerned, does that include any nitrates or synthetic fertilizers?

Mr. LENHER. No. Mainly not, except for some special fertilizers. They are principally inorganic, are supplied by other parts of the chemical industry, and do not come within our group.

Another representative will cover that sector of the industry later, Senator.

Senator MALONE. Since World War I we have built a chemical industry in the United States under tariff or duty protection.

Mr. LENHER. Yes; since World War I.

Senator MALONE. Without that you could not have built it, without the duty protection, you could not have built a chemical industry in this country?

Mr. LENHER. It was true at the start of the industry.

Senator MALONE. Is it still true that without duty or tariff protection, as we have come to recognize it, you could continue the industry and the growth that is necessary to protect the country under a national-defense situation?

Mr. LENHER. We would not be able to continue all of our manufacture. That part of organic chemicals manufacture in which cost is to a large extent determined by labor cost would be very seriously injured and jeopardized without a measure of tariff protection.

Senator MALONE. Do taxes have anything to do with it, and other costs of doing business as against cost of doing business in the chief competitive countries?

Mr. LENHER. Yes. Taxes are a very important factor in American costs and have been since the Second World War. I think our tax position in this country for industry is a more serious element of cost than it is in most industrialized countries.

Senator MALONE. Then if you were looking forward to eliminating the duty protection, which seems to be the ultimate goal of many of the advocates of this principle, shouldn't you as a matter of fact do better in a foreign country by making your investments in foreign countries and shipping the stuff back to the United States?

Mr. LENHER. Well, I think that is a possibility for the future and certainly some companies in our membership have explored that possibility.

The matter is testified in some detail by two companies in the Ways and Means Committee hearings.

Senator MALONE. What did they say? What was their testimony?

Mr. LENHER. Their testimony was that while they now had foreign subsidiaries and operating companies, it was not their intention at this time to import into the United States, but it could be in the future.

Senator MALONE. As long as they have the duty, it is not economic to produce it there and ship it in here?

Mr. LENHER. Yes, sir.

Senator MALONE. If you had no tariff protection then they thought it would be.

Mr. LENHER. Yes, sir.

Senator MALONE. In other words it would cause investments to migrate to foreign countries?

Mr. LENHER. Yes. If the investment were to be made on purely financial or economic grounds, that is a possibility.

Senator MALONE. What do you make your investments on? When you go out and sell your stock is it a matter of investment and return on investment?

Mr. LENHER. Yes, we make the investment on the basis of making money for the shareholders.

Senator MALONE. I thought you had reached a philanthropic stage and weren't caring about that, from your remark.

Mr. LENHER. No, indeed.

Senator MALONE. You do mean that it is done on purely investment feasibility grounds and if it became more feasible in a foreign country if there were no duty here and you were unable to stay in business, then you could do it in foreign countries, invest in the German plants or in the Japanese plants or in other areas and import the material, could you not?

Mr. LENHER. Yes; we could.

Senator MALONE. Do you have any idea that that is what you might do, your companies, that is if you couldn't stay in business here with no protection?

Mr. LENHER. I imagine that that would be the consequence, if the extreme condition were reached, Senator, yes.

Senator MALONE. What are you here for this morning? Are you afraid of a situation in which you might not have the needed protection or are you just here for the visit?

Mr. LENHER. No; I am here to represent the interest of our industry to continue the protection which we have.

Senator MALONE. What are your interests then, maybe I misunderstood you.

Mr. LENHER. Our interest is to manufacture chemicals and to supply our customers with them competitively, whether competition comes from domestic or foreign competition.

Senator MALONE. What is likely to prevent that?

Mr. LENHER. One factor would be a considerable reduction in the tariff.

Senator MALONE. And that is what you are afraid of?

Mr. LENHER. Yes, sir.

Senator MALONE. That is good enough. You are rather reluctant but I guess the record will show.

Mr. LENHER. Senator, if I am reluctant on that point, it is only because the questions which you ask are very direct and I want to be sure——

Senator MALONE. I don't have any other kind of question.

Mr. LENHER. I want to be sure that the answers which I give will not mislead on the record because we represent a very large interest and I want to be sure my answers are correct.

Senator MALONE. I am glad of that. But I will say I have no other kind of questions because I like to conserve the time of the committee and your time and there is no use beating around the bush.

I just ask you the questions I would like for you to answer.

As a matter of fact if this migration took place due to lack of protection, would we reach the situation that we had during World War I, when we had very small production of the very necessary industries for war production?

Mr. LENHER. Yes. You certainly could, Senator Malone, and that is one of the principal, if not the principal base of our concern about

the proposed reduction on dyes and intermediates because there is more than adequate capacity to supply the world requirements of those chemicals at the present time.

Without protection by the American tariff we are sure that foreign suppliers could enter this market to the complete annihilation of the domestic industry, that is possible.

Senator MALONE. You are here today testifying that at least there should be protection to the extent needed for national defense?

Mr. LENHER. Yes, sir.

Senator MALONE. Of course, if you had your way about it you would probably like to preserve your industry beyond that necessary for national defense which you could do by a duty or a tariff simply equalizing the wage standard of living and the cost of doing business here and that in the chief competitive nation. That would keep you in business.

Would that seem to be a fair request?

Mr. LENHER. No, that would not be adequate for us because we would want to be able to manufacture at a profit so we could continue to build and improve our business and pay returns to shareholders and keep our business as strong as we have been able to keep it in and past under the system which it was built.

Senator MALONE. Maybe we need another question to clear it up.

If the duty at all times represented the difference between the wage standard of living here and the taxes and cost of doing business here in this Nation and the chief competitive country, that would keep you in business, would it not?

Mr. LENHER. Yes; if all the factors of our cost were taken into account.

Senator MALONE. Isn't that what the 1930 Tariff Act says, that the Tariff Commission was created as an agent of Congress with direct orders from Congress to determine on that principle that difference in costs of production and recommend that to be the tariff, that is what the 1930 Tariff Act says, isn't it?

Mr. LENHER. Yes; we would be able to continue to manufacture and supply under that condition.

Senator MALONE. Then under the system laid down by Congress with the flexible import fee or duty administered under that principle, you would have no worry about the supply for national defense, whenever that became important, would you?

Mr. LENHER. We would have this additional concern, that in recent years the ODM has worked very closely with industry or to put it the other way industry has worked very closely with the ODM in trying to meet goals for mobilization capacity which they have set up and which industry has seen fit to spend its capital to providing in addition to strictly commercial outlets for those goods.

Senator MALONE. I understand that. When you have a contract from the ODM or under their orders from GSA, then you have no trouble, profit is included in the contract, is that right?

Mr. LENHER. Yes.

Senator MALONE. You are afraid if you suddenly didn't have these contracts and you come under the Tariff Act of fair and reasonable competition, that maybe you couldn't keep up this additional production.

Mr. LENHER. I don't believe we would be able to do it.

I think the additional capacity would be idle. It exceeds commercial requirements, and there are no Government contracts to my knowledge directed to keeping our mobilization capacity intact.

Senator MALONE. Well, the additional production is only necessary when you get those contracts, isn't it? The additional production is something you need at that moment, and the GSA and their contracts give you ample opportunity to build the additional plant and make a profit?

Mr. LENHER. Well, it is partly a matter of business, and it is partly a matter of Government policy of wanting to have that capacity active or in readiness for you, Senator, because if the plants have been used and are then idle—if I understand your question—because of lack of demand for this chemical for mobilization purposes, not many chemical plants can be mothballed or put in standby condition, they deteriorate rapidly.

And that either would have to be taken care of by special charges, or the plants would become ineffective in the future.

Senator MALONE. Well, those special charges in any case, wouldn't be included in this act.

Mr. LENHER. No.

Senator MALONE. In other words, we are off the subject entirely. Let's start a new approach to this thing. If you are already in the business of manufacturing a product that may be necessary in national defense, and it is not too much of a job to enlarge the capacity, is it, if you have a going concern?

Mr. LENHER. Well, that is a very difficult question to answer in a general way, Senator. Sometimes incremental additions can be made to existing plant.

Senator MALONE. Additional units?

Mr. LENHER. Yes.

Senator MALONE. If the money is forthcoming, which it always is in wartime. But if you are in the business of manufacturing the peacetime demand in competition with foreign producers, with the duty or tariff that makes up that difference in cost—

Mr. LENHER. Then you have a big spring forward to make that additional capacity.

Senator MALONE. And you are satisfied with that kind of a tariff?

Mr. LENHER. Yes, sir.

Senator MALONE. Are you aware that that is exactly what would happen if we do not extend this 1934 Trade Agreements Act. Then immediately all products that are not under a Trade Agreements Act, not included in the trade agreements, would be referred immediately to the Tariff Commission on the basis of the 1930 act, where the principle is definitely laid down by Congress of a fair and reasonable competitive basis—that is the difference in cost here and in the chief competitive nation—and so considered by the Tariff Commission in setting the tariff? Are you aware that if we do not extend this act they will all go back to the Tariff Commission automatically at midnight on June 12 where they are not covered by trade agreements?

Mr. LENHER. I do not understand it that way, Senator. I am just ignorant of the point.

Senator MALONE. You can take it from me that that is the fact. Now, that would suit you, wouldn't it, if it went back to the Tariff

Commission on that principle, if the tariff were flexible—and it is flexible under the 1930 act—that the Tariff Commission determines the difference between cost here and the cost in the chief competitive nation, that would be fair; wouldn't it? I have read your testimony and I have read your brief. You are just afraid that that wouldn't happen under this extension?

Mr. LENHER. Yes. I have little belief that that will happen.

Senator MALONE. Under this extension, you have little belief that it will happen; is that what you mean?

Mr. LENHER. Well what I mean is, I have little reason to believe—and this is purely opinion—that the Trade Agreement Act will disappear, that we will have the reversion to the 1930 condition, if I understand your question.

Senator MALONE. Well, I didn't ask you that, but I am glad to have your opinion. I don't know what you base it on, whether you think that because we passed this thing at one time that we will perpetuate it. But I did ask if you understand that if this act is not extended—and that is what we are holding the hearing about, whether or not to extend it at all—

Mr. LENHER. Yes.

Senator MALONE. If it is not extended, then it reverts immediately to the Tariff Commission, all things revert upon which there are no trade agreements and duties are to be adjusted by the Tariff Commission on a principle of fair and reasonable competition.

Mr. LENHER. I am sorry, I misunderstood your question initially. Yes; I appreciate that.

Senator MALONE. Well, would that, in your opinion, maintain your industry?

Mr. LENHER. Yes.

Senator MALONE. And you would be in favor of that setup?

Mr. LENHER. That would be a perfectly satisfactory setup.

Senator MALONE. Now, are you aware, then, that on all articles upon which there is a trade agreement, if this act expires, the President may at any time serve notice on the country with which such trade agreement is made for its cancellation, and within 6 months that duty or tariff also reverts to the Tariff Commission on the same basis? Are you aware of that fact?

Mr. LENHER. Yes.

Senator MALONE. And that would suit you all right?

Mr. LENHER. Yes, sir.

Senator MALONE. Then if I understand your testimony here, all you want is some assurance that the investments in your industry will be safeguarded to that extent, to the extent of a duty or a tariff that makes up the difference in the wage, standard of living, or the taxes, and all the costs of doing business here, as against the cost of doing business in the chief competitive nation, and in principle that the tariff or duty is adjusted automatically, that is, through the Tariff Commission, either as a result of your request or the request of a consumer, or by the President, or either House of Congress, or the Tariff Commission upon its own motion can continually adjust the tariff on that basis, you understand that?

Mr. LENHER. Yes.

Senator MALONE. And that is satisfactory?

Mr. LENHER. Yes, sir.

Senator MALONE. Now, I want to ask you one other question here. Do you understand that under the 1934 Trade Agreements Act, under these trade agreements—which have been in the hands of the State Department continually for 21 years—the Geneva General Agreement on Tariffs and Trade makes multiple adjustments, and the United Nations is creating another worldwide trade organization which is supposed to take the entire production of the world and the consumption of the world and distribute it in accordance with what it believes to be the best interests of the world situation? There was also the International Trade Organization which was presented to this Congress and was rejected, but it is still alive, just dormant. Also the International Materials Organization was created by the State Department surreptitiously, and financed in spite of the Appropriations Committee of the Senate, and then carried on the work that the International Trade Organization was supposed to do. That was to pool the markets and the consumption, and distribute them on a basis of entitlement for consumption—which was the phrase used in some of the organizations. This, it seems to me, could only be interpreted on the basis of population. Are you aware that all these organizations can operate to a certain extent with the approval of the State Department under this act, but if it is not extended, that they cannot operate to divide our markets? Did you ever think about that part of it?

Mr. LENHER. Well, Senator, our association has thought about that matter, and particularly about GATT. And we have taken the position consistently that we are opposed to an approval of GATT.

Senator MALONE. Well, I appreciate that, and I am sure you are sound in your position. And I suppose, since the rumor is that it will be presented here, that you may have an opportunity to appear again. But if this act is not extended it falls of its own weight, and it wouldn't be necessary for us to consider it here. Are you aware of that fact?

Mr. LENHER. Yes, sir.

Senator MALONE. Wouldn't that be the best solution, just to let this act die, and let it go back to the Tariff Commission for an adjustment of those duties, and just not sit in these poker games, sucker games, that only can operate when our markets are in the pot?

Mr. LENHER. That would be a very definite solution of a problem which has been agitated for many years here.

Senator MALONE. We work up our own problems, and then try to solve them, generally.

Now, you are aware that when this peril point operates the Tariff Commission determines a point at which or below which the industry would be imperiled, and that is where the duty should be at that moment. Then the State Department may or may not accept this finding of the Tariff Commission. You are aware that they may or may not accept it in their trade agreements?

Mr. LENHER. Yes.

Senator MALONE. But if they do accept it and make the trade agreement on that basis, they make it for 3 years, and then within a few minutes, if it wants to, the nation with which the trade agreement is made, can readjust the value of its currency on the basis of dollar value, and institute—if they don't already have it, and most of them do—exchange permits and import permits, and nullify any agree-

ment that we might make. We are bound for 3 years, and for after the 3 years, until the President serves notice for cancellation; are you aware of that fact?

Mr. LENHER. Yes, I am, Senator.

Senator MALONE. Do you think that that is a good provision, that they can make a 3-year agreement and we are unable to change it, but every other nation with which an agreement is made can change it?

Mr. LENHER. No. I think under the circumstances you outline that is not a good thing.

Senator MALONE. Well, I outline the actual situation, do I not, that they do make it for 3 years?

Mr. LENHER. You outline the possibilities, certainly, sir.

Senator MALONE. Now, as I understand it, if the tariff or duty is adjusted by the Tariff Commission and the President doesn't take their interpretation, their finding, then it can only go into effect if approved by Congress, that is the substance of your amendment.

Mr. LENHER. Yes.

Senator MALONE. Well, your amendment, then, to that extent would conform to the 1930 act as it is now written, would it not? In other words, whatever the Tariff Commission finds?

Mr. LENHER. I believe so.

Senator MALONE. That is, they recommend that it be the tariff?

Mr. LENHER. Yes.

Senator MALONE. And without this 1934 Trade Agreements Act it actually is the tariff?

Mr. LENHER. Yes.

Senator MALONE. And that is what you want?

Mr. LENHER. Yes.

Senator MALONE. So I merely want to bring out the point that we already have exactly what you want if we just let it operate. But if we insist on extending this Trade Agreements Act, then you take in these other factors—that the President may adjust on the basis of what he considers to be the national good of the American people or adjust on a basis of international political situations or almost any other situation; and that is your chief objection, his ability to take in all these factors and not consider the good of the industry itself.

Mr. LENHER. Yes; that concerns us.

Senator MALONE. I think that is all.

Senator MILLIKIN. You understand that where an injury test is applied it naturally makes comparisons of cause and determines those factors that would injure your business if the practice complained of is continued.

Mr. LENHER. Yes, sir.

Senator MILLIKIN. So that if the injury test is correctly applied it comes to the same point as putting the test directly on a comparison of cost of other nations of the same product with that of this Nation; it comes to the same thing, does it not?

Mr. LENHER. Yes, sir.

Senator Byrd, may I make a request?

The CHAIRMAN. Yes, sir.

Mr. LENHER. I have here a marked copy of H. R. 1, together with a draft of the proposed amendments of the peril-point and escape

clauses, and in view of the questions asked I would be glad to submit that to the committee for the record, sir.

The CHAIRMAN. Your appendix I has already been included in the record. This is not a duplication, is it?

Mr. LENHER. No.

The CHAIRMAN. No objection.

(The copy of H. R. 1 and the proposed amendments follow:)

[H. R. 1 revised in accordance with recommendations of Synthetic Organic Chemical Manufacturers Association contained in appendix I to statement of Samuel Lenher].

[H. R. 1, 84th Cong., 1st sess.]

AN ACT To extend the authority of the President to enter into trade agreements under section 350 of the Tariff Act of 1930, as amended, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Trade Agreements Extension Act of 1955".

SEC. 2. The period during which the President is authorized to enter into foreign trade agreements under section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is hereby extended from June 12, 1955, until the close of June 30, ~~1958~~ 1957.

SEC. 3. (a) Subsection (a) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (a)), is hereby amended to read as follows:

"(a) (1) For the purpose of expanding foreign markets for the products of the United States (as a means of assisting in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified is authorized from time to time—

"(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof ~~containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing; Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States; Provided further, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under this section.~~

"(B) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.

"(2) No proclamation pursuant to paragraph (1) (B) of this subsection shall be made—

"(A) Increasing by more than 50 per centum any rate of duty existing on January 1, 1945.

"(B) Transferring any article between the dutiable and free lists.

"(C) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, decreasing by more than 50 per centum any rate of duty existing on January 1, 1945.

"(D) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, decreasing (except as provided in subparagraph (E) of this paragraph) any rate of duty below the lowest of the following rates:

"(i) The rate of ± 10 per centum below the rate existing on July 1, 1955.

"(ii) In the case of any article which the President determines at the time foreign trade agreement is entered into, is normally not imported into the United States or is normally imported into the United States in negligible quantities, the rate 50 per centum below the rate existing on January 1, 1945. This clause shall not apply with respect to any article unless it is identified in the list required by section 3 (a) of the Trade Agreements Extension Act of 1951, as amended (49 U. S. C., sec. 1360 (a)), for possible consideration as an article which is normally not imported into the United States or is normally imported into the United States in negligible quantities.

"(iii) In the case of any article subject to an ad valorem rate of duty above 50 per centum (or a combination of ad valorem rates aggregating more than 50 per centum), the rate 50 per centum ad valorem (or a combination of ad valorem rates aggregating 50 per centum). In the case of any article subject to a specific rate of duty (or a combination of rates including a specific rate) the ad valorem equivalent of which has been determined by the President to have been above 50 per centum during a period determined by the President to be a representative period; the rate 50 per centum ad valorem or the rate (or a combination of rates), however stated, the ad valorem equivalent of which the President determines would have been 50 per centum during such period. The standards of valuation contained in section 402 of this Act (as in effect during the representative period) shall be utilized by the President, to the maximum extent he finds such utilization practicable, in making the determinations under the preceding sentence.

"(E) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, to which the Government of Japan is a party and with respect to which notice of intention to negotiate was published on November 16, 1954 (49 F. R. 7379), if the President determines that such decrease is necessary in order to provide expanding export markets for products of Japan (including such markets in third countries), decreasing by more than 50 per centum any rate of duty existing on January 1, 1945:

"(3) (A) Subject to the provisions of subparagraphs (B) and (C) of this paragraph, the provisions of any proclamation made under paragraph (1) (B) of this subsection, and the provisions of any proclamation of suspension under paragraph (5) of this subsection, shall be in effect from and after such time as is specified in the proclamation.

"(B) In the case of any decrease in duty to which paragraph (2) (D) of this subsection applies—

"(i) if the total amount of the decrease under the foreign trade agreement does not exceed ± 10 per centum of the rate existing on July 1, 1955, the amount of decrease becoming initially effective at one time shall not exceed 5 per centum of the rate existing on July 1, 1955; and

"(ii) except as provided in clause (i), not more than one-third of the total amount of the decrease under the foreign trade agreement shall become initially effective at one time; and

"(iii) (i) no part of the decrease after the first part shall become initially effective until the immediately previous part shall have been in effect for a period or periods aggregating not less than one year.

"(C) No part of any decrease in duty to which the alternative specified in paragraph (2) (D) (i) of this subsection applies shall become initially effective after the expiration of the three two-year period which begins on July 1, 1955. If any part of such decrease has become effective, then for purposes of this subparagraph any time thereafter during which such part of the decrease is not in effect by reason of legislation of the United States or action thereunder shall be excluded in determining when the three-year period expires.

"(D) If the President determines that such action will simplify the computation of the amount of duty imposed with respect to an article, he may exceed any limitation specified in paragraph (2) (D) or (E) of this subsection or subparagraph (B) of this paragraph by not more than whichever of the following is lesser:

"(i) The difference between the limitation and the next lower whole number; or

“(ii) One-half of 1 per centum ad valorem.

In the case of a specific rate (or of a combination of rates which includes a specific rate), the one-half of 1 per centum specified in clause (ii) of the preceding sentence shall be determined in the same manner as the ad valorem effect of rates not stated wholly in ad valorem terms is determined for the purposes of paragraph (2) (D) (iii) of this subsection.

“(4) In exercising his authority under this section, the President shall avoid, to the maximum extent he deems practicable and consistent with the purpose of this section, the subdivision of classification categories: the subdivision of classification categories which might give rise to confusion or controversy, whenever this may be done consistently with the purposes of the trade agreements legislation.

“(5) Subject to the provisions of section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1362), duties and other import restrictions proclaimed pursuant to this section shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly or indirectly: *Provided*, That the President shall as soon as practicable, suspend the application to articles the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts (including the operations of international cartels) or policies which in his opinion tend to defeat the purpose of this section.

“(6) The President may at any time terminate, in whole or in part, any proclamation made pursuant to this section.”

(b) The last sentence of section 350 (b) of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (b)), is hereby amended to read as follows: “No rate of duty on products of Cuba shall be decreased—

“(1) In order to carry out a foreign trade agreement entered into by the President before June 12, 1955, by more than 50 per centum of the rate of duty existing on January 1, 1945, with respect to products of Cuba.

“(2) In order to carry out a foreign trade agreement entered into by the President on or after June 12, 1955, below the applicable alternative limit specified in subsection (a) (2) (D) or (E) (subject to the provisions of subsection (a) (3) (B); and (C); and (D)), each such alternative to be read for the purposes of this paragraph as relating to the rate of duty applicable to products of Cuba. ~~With respect to products of Cuba, the limitation of subsection (a) (2) (D) (iii) may be exceeded to such extent as may be required to maintain an absolute margin of preference to which such products are entitled.~~”

(c) Subsection (c) of section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351 (c)), is hereby amended by inserting “(1)” after “(c)”, by striking out “(1)” and inserting in lieu thereof “(A)”, by striking out “(2)” and inserting in lieu thereof “(B)”, and by adding at the end thereof the following new paragraph:

“(2) For purposes of this section—

“(A) Except as provided in subsection (d) and subparagraph (C) of this paragraph, the terms ‘existing on January 1, 1945’ and ‘existing on July 1, 1955’ refer to rates of duty (however established, and even though temporarily suspended by Act of Congress or otherwise) existing on the date specified, except rates in effect by reason of action taken pursuant to section 5 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1362).

“(B) The term ‘existing’ without the specification of any date, when used with respect to any matter relating to the conclusion of, or proclamation to carry out, a foreign-trade agreement, means existing on the day on which that trade agreement is entered into.

“(C) In applying paragraphs (2) (D) (i) and (3) (B) (i) of subsection (a), the rate of duty on an article included in a foreign-trade agreement with respect to which notice of intention to negotiate was published on November 16, 1954 (19 F. R. 7379), if such agreement is entered into before July 1, 1955, shall be considered to be the rate ‘existing on July 1, 1955.’”

(d) Section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351), is hereby amended by adding at the end thereof the following new subsection:

“(e) The President shall submit to the Congress an annual report on the operation of the trade agreements program, including information regarding new negotiations, modifications made in duties and import restrictions of the United States, reciprocal concessions obtained, modifications of existing trade agreements

in order to effectuate more fully the purposes of the trade-agreements legislation (including the incorporation therein of escape clauses), and other information relating to that program and to the agreements entered into thereunder."

Sec. 4. Subsection (b) of section 6 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1363 (b)), is hereby amended by striking out the second sentence thereof.

Passed the House of Representatives February 18, 1955.

Attest:

RALPH R. ROBERTS. *Clerk.*

ADDITIONS TO H. R. 1 TO ACCOMPLISH THE AMENDMENT OF THE PERIL POINT AND ESCAPE CLAUSE IN A MANNER ADEQUATE TO CORRECT THREE MAJOR DEFICIENCIES IN THE PRESENT APPLICATION OF THOSE REMEDIES

The following amendments of the peril point and escape clause, in the form of sections to be added to H. R. 1, are intended to accomplish these objectives:

1. To make these remedies apply to the individual producers, or segments of an industry producing the particular article affected by import competition. This amendment is required to overcome the established administration of the present escape clause which in effect requires an entire industry to be seriously injured before these remedies are applied for the benefit of the producers or the segment of an industry actually concerned with the production of the particular article.

2. To make the Tariff Commission's findings on injury and recommendations for necessary relief binding upon the President unless the Congress, upon receipt of a proposal by the President recommending that they be overruled on national-interest grounds, concurs by joint resolution within 60 days of the receipt of the President's communication. In the past the President's advisers have persuaded him to overrule the Tariff Commission in two-thirds of the instances in which the Commission has found injury and recommended relief. Since the peril point and escape clause represent congressional policy, and the Tariff Commission is the agent of the Congress, the Commission's findings and recommendations determined under the standards prescribed by the Congress should be accepted by the Executive as congressional policy determinations unless the Congress, upon being apprised of particular national-interest reasons, concurs that in individual cases its particular policy expressed through the determinations of its agent, the Tariff Commission, may be overruled.

3. To make it possible for the Tariff Commission to reconsider as a separate item apart from its conventional inquiry into the economic effect of imports on the established commercial operations of domestic producers, etc., the entirely separate situation of whether or not increased imports due in whole or part to tariff concessions are causing or would be likely to cause or threaten serious injury to the plant capacity or reservoir of skilled manpower determined by the Office of Defense Mobilization to be a part of the Nation's mobilization base. In particular situations the level of productive capacity and manpower required for national defense, as determined by the Office of Defense Mobilization, acting for the President under the Defense Production Act of 1950, as amended, could be impaired by import competition prior to the time that serious injury would be deemed to have occurred on purely economic grounds to the commercial operations of the producer, segment of industry, or industry concerned.

The text of these amendments as proposed sections to H. R. 1 follows:

Sec. 5. (a) Subsection (a) of section 3 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1360 (a)), is hereby amended to read as follows:

"(a) Before entering into negotiations concerning any proposed foreign-trade agreement under section 350 of the Tariff Act of 1930, as amended, the President shall furnish the United States Tariff Commission (hereinafter in this Act referred to as the "Commission") with a list of all articles imported into the United States to be considered for possible modification of duties and other import restrictions, imposition of additional import restrictions, or continuance of existing customs or excise treatment. Upon receipt of such list the Commission shall make an investigation and report to the President the findings of the Commission with respect to each such article as to (1) the limit to which such modification, imposition, or continuance may be extended in order to carry out the purpose of such section 350 without causing or threatening serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive articles, or impairment of the national security; and (2) if increases in duties or additional import restrictions are required to

avoid such injury or impairment, or threat thereof, the minimum increases in duties or additional import restrictions required. Such report shall be made by the Commission to the President not later than 120 days after the receipt of such list by the Commission. No such foreign-trade agreement shall be entered into with respect to any article for importation into the United States until the Commission has made its report with respect to such article to the President. The President shall not enter into any such foreign-trade agreement with respect to any article when the Tariff Commission's report herein provided for indicates that any lowering, reduction, modification or removal of the then existing rate or rates of duties, import restrictions, or established customs treatment affecting such article would be likely to cause or threaten serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive articles, or impairment of the national security. In any event, the President shall not enter into any such foreign-trade agreement with respect to any article which would provide or result in the lowering, reducing, modification or removal of the then existing rate or rates of duties, import restrictions, or established customs treatment in excess of the limit found by the Tariff Commission to which such duties, restrictions, or treatment could be altered without causing or threatening serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive articles, or impairment of the national security. The President shall endeavor to secure in any such foreign-trade agreement increases in duties, or the imposition of import restrictions or the addition of import restrictions with respect to any article which the Tariff Commission finds to be required or desirable to avoid actual or threatened serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive articles, or impairment of the national security."

(b) Section 4 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1361), is hereby amended to read as follows:

"(a) Notwithstanding the provisions of section 3 (a) of this Act, whenever the President finds that the national interest requires entering into a proposed foreign-trade agreement under section 350 of the Tariff Act of 1930, as amended, which, if it were to become effective, would (1) require or make appropriate with respect to any imported article any modification of duties or other import restrictions, the imposition of additional import restrictions, or the continuance of existing customs or excise treatment, which would exceed the limit to which the Tariff Commission reported under section 3 (a) such modification, imposition, or continuance could be made or extended without causing or threatening serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive articles, or impairment of the national security, or (2) fail to require or make appropriate the minimum increase in duty or additional import restrictions required or desirable to avoid such injury or impairment, he shall transmit to Congress a copy of the proposed agreement together with a message accurately identifying the article or articles with respect to which he proposes not to comply with such limits or minimum requirements, stating his reasons for the action proposed with respect to each such article. If either the Senate or the House of Representatives, or both, are not in session at the time of such transmission, such proposed agreement and message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be. Unless the Congress by joint resolution concur in the President's proposed action with respect to the article or articles with reference to which he recommends that such limits or minimum requirements not be complied with, within 60 days of receipt of the President's message, or within 60 days of the convening of the Congress at the next session where the President's message is received while the Congress is not in session, the President shall delete such article or articles from the proposed trade agreement prior to concluding the same.

"(b) Promptly after the President has transmitted such proposed foreign-trade agreement to Congress, the Commission shall deposit with the Committee on Ways and Means of the House of Representatives, and the Committee on Finance of the Senate, a copy of the portions of its report to the President dealing with the articles with respect to which it is proposed that such limits or minimum requirements not be complied with."

(c) Subsection (a) of section 6 of the Trade Agreements Extension Act of 1951 (19 U. S. C., sec. 1363 (a)), is hereby amended to read as follows:

"(a) No reduction in any rate of duty, or binding of any existing customs or excise treatment, or other concession heretofore or hereafter proclaimed under

section 350 of the Tariff Act of 1930, as amended, shall be permitted to continue in effect when the product on which the concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities (either actual or relative) or under such conditions as to cause or threaten serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive products, or impairment of the national security."

(d) Section 7 of the Trade Agreements Extension Act of 1951, as amended (19 U. S. C., sec. 1364), is hereby amended to read as follows:

"(a) Upon the request of the President, upon resolution of either House of Congress, upon resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, upon its own motion, or upon application of any interested party, the United States Tariff Commission shall promptly make an investigation and make a report thereon not later than nine months after the application is made to determine whether any product upon which a concession has been granted under a trade agreement is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported into the United States in such increased quantities, either actual or relative, or under such conditions, as to cause or threaten serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive articles, or impairment of the national security.

"In the course of any such investigation, whenever it finds evidence of such injury or impairment, or threat thereof, or whenever so directed by resolution of either the Committee on Finance of the Senate or the Committee on Ways and Means of the House of Representatives, the Tariff Commission shall hold hearings giving reasonable public notice thereof and shall afford reasonable opportunity for interested parties to be present, to produce evidence, and to be heard at such hearings.

"Should the Tariff Commission find, as a result of its investigation and hearings, that a product on which a concession has been granted is, as a result, in whole or in part, of the duty or other customs treatment reflecting such concession, being imported in such increased quantities (either actual or relative) or under such conditions as to cause or threaten serious injury to the domestic producers, the segment of an industry, or the industry producing like or competitive products, or impairment of the national security, it shall so report to the President. The Tariff Commission shall include in such report the extent to which, and the time for which, it finds that—

- (A) permanent withdrawal of the concession;
- (B) modification of the concession;
- (C) suspension of the concession in whole or in part;
- (D) limitation of the quantity of the product which may be entered, or withdrawn from warehouse, for consumption; or
- (E) any combination of any of the foregoing

is necessary or desirable in order to prevent or remedy such injury or impairment, or threat thereof. Within sixty days, or sooner if the President acts prior to that time under subsection (c) of this section, the Tariff Commission shall transmit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives an exact copy of its report to the President.

"(b) In arriving at a determination in the foregoing procedure the Tariff Commission, without excluding other evidence of injury, shall consider as evidence of injury the existence or likely occurrence of any of the following factors: a downward trend of production, employment, prices, profits, or wages of the domestic producers, the segment of an industry, or the industry concerned, or a decline in sales, an increase in imports, either actual or relative to domestic production, a higher or growing inventory, or a decline in the proportion of the domestic market supplied by domestic producers.

"(c) Upon receipt of the Tariff Commission's report, the President shall by proclamation take such action as is found by the Commission and stated in its report to be necessary or desirable to prevent or remedy such injury or impairment, or threat thereof: *Provided*, That if the President finds that the national interest requires that such action should not be taken, he shall, within 30 days of the receipt of the Commission's report, transmit to Congress a message stating his reasons for proposing that such action not be taken. If either the Senate or the House of Representatives, or both, are not in session at the time

of such transmission, the message shall be filed with the Secretary of the Senate or the Clerk of the House of Representatives, or both, as the case may be. Unless the Congress by joint resolution concurs in the President's proposal within sixty days following receipt of the President's message, or within thirty days of the convening of the Congress at the next session where the President's message is received while the Congress is not in session, the President shall by proclamation upon the expiration of the said period forthwith take the action reported by the Tariff Commission to be necessary or desirable to prevent or remedy such injury or impairment, or threat thereof.

"(d) When in the judgment of the Tariff Commission no sufficient reason exists for a recommendation to the President that a concession should be withdrawn or modified or a quota established, it shall make and publish a report stating its findings and conclusions."

SEC. 6. The term "impairment of national security" refers to injury actual or threatened to existing or projected productive capacity, or the number of skilled, technical or scientific workers, determined by the Office of Defense Mobilization or agency to which it has delegated the responsibility for such determination to be a part of the Nation's mobilization base.

SEC. 7. (a) Section 2 of Public Law 464, 83d Congress (68 Stat. 360), is hereby repealed.

(b) The President shall not reduce any rate of duty or grant other tariff concession on any product which the Tariff Commission finds would impair the national security.

(c) The President shall withdraw any tariff concession heretofore or hereafter granted under section 350 of the Tariff Act of 1930, as amended (19 U. S. C., sec. 1351) which the Tariff Commission finds is causing or threatening impairment of the national security.

Senator MILLIKIN. You understand that when the President does not accept the recommendation of the Tariff Commission following a finding of injury he has to explain the reasons to Congress?

Mr. LENHER. Yes, sir.

Senator MILLIKIN. You understand that Congress is free to accept his explanation or to pass protective legislation?

Mr. LENHER. Yes, sir; I understand that.

Senator MALONE. Mr. Lenher, I understand your situation of believing, through all the publicity and everything for the last 21 years, that we are unable to stop the extension of this act. But if you thought it could be stopped, would you be in favor of just not extending the act and allowing it to revert to the 1930 tariff law under which your industry is protected on the basis of fair and reasonable competition?

Mr. LENHER. Senator, I think the best answer I can give you to that question is that I think our industry could live very well under the 1930 act.

Senator MALONE. In other words, if you thought that this could be accomplished you would be in favor of reverting to the act?

Mr. LENIER. Yes; if this were not renewed we would be entirely satisfied to revert to the 1930 act.

Senator MALONE. Well, are you in favor, if you had your way about it, of reverting to the 1930 Tariff Act, instead of renewing this act and leaving it in the hands of one man to determine whether you live or die?

Mr. LENHER. Well, I think I have to stand on the statement which I made in my brief, which goes along with an extension of the act with the changes which we propose.

Senator MALONE. Well, if you did not get the changes you propose, would you be opposed to an extension of the act?

Mr. LENHER. Yes, sir.

Senator MALONE. Are you aware that a suit has been filed in the United States district court questioning the constitutionality of the act?

Mr. LENHER. Yes, Senator. I just saw a notice of that a day or two ago. I believe it was a glassware group.

Senator MALONE. There is a suit for declaratory judgment filed in the United States District Court for the District of Columbia by the Morgantown Glassware Guild against George M. Humphrey, Secretary of the Treasury of the United States Treasury Department, and the complaint you will find in the February 28 Congressional Record on page 1868. And any of the companies such as yours, one of your companies, or all of them, could come in and determine this matter. You are aware of that possibility?

Mr. LENHER. Yes.

Senator MALONE. Thank you.

The CHAIRMAN. Senator Carlson?

(No response.)

The CHAIRMAN. Senator Bennett?

(No response.)

The CHAIRMAN. Thank you very much.

The next witness is Gilbert Robinson.

**STATEMENT OF GILBERT H. ROBINSON, FORSTMANN WOOLEN CO.,
PASSAIC, N. J.**

The CHAIRMAN. Will you take a seat, Mr. Robinson?

Do you have a statement?

Mr. ROBINSON. Mr. Chairman, I have a formal statement, but I thought in the interest of expediting the hearing, I would file my formal statement, if you would permit me to do so, and make orally certain points, highlighting the statement.

The CHAIRMAN. Will you furnish copies of your statement?

Mr. ROBINSON. I would be very glad to furnish copies.

(The statement of Gilbert H. Robinson follows:)

**STATEMENT OF FORSTMANN WOOLEN CO., PASSAIC, N. J., PRESENTED BY GILBERT H.
ROBINSON, SPECIAL ASSISTANT TO THE PRESIDENT**

My name is Gilbert H. Robinson and I am a member of the board of directors and special assistant to the president of Forstmann Woolen Co. I am also president of Forstmann, Inc., the company's sales agency.

The Forstmann Woolen Co., with plants located in Passaic and Garfield, N. J., specializes in the manufacture of woolen and worsted fabrics for essential apparel purposes, both civilian and military. It performs all of the operations from the purchasing and sorting of the raw wool to the delivery of the finished fabric.

For the past 10 years or more, I have come to Washington on many occasions to appear before congressional committees and administration committees to sound a warning as to what would happen if tariffs on wool products were cut and cut again from the levels last set by Congress in 1930. Frankly, on those previous visits, I was chiefly concerned about a future injury. The impact of a devastating world war, the inflated abnormal conditions of the postwar period, the strife in Korea and the economic reactions which it touched off, have all combined to delay and camouflage the results of the tariff cuts made on our products in 1939, 1945, and 1948. In that period the specific duty on wool fabrics valued at over \$2 per pound has moved downward from 50 cents per pound to 37½ cents per pound, and the ad valorem rate has been reduced from 60 percent to 25 percent. But in the last 2 years the parade has definitely caught up with the band.

Based on our own actual company experience, and on our knowledge of what has already happened in the wool textile industry of which we are a part, we know

that we have been hurt, and badly hurt, by tariff rates that are already too low to accomplish their purpose of counterbalancing the vastly lower costs of foreign labor. Therefore, we are naturally very keenly apprehensive of any provision or intent in H. R. 1 that would lead to a still further reduction of these duty rates.

In fact, we firmly believe that the United States Tariff Commission, adequately staffed and supplied with sufficient funds, and functioning as a fact-finding board responsible only to Congress, should immediately undertake a detailed analysis of all our tariff rates, industry by industry and product by product. Based on these studies, recommendations should be submitted by the Tariff Commission to Congress for whatever rate changes the facts warrant. The primary considerations should be the military security and the economic strength of the United States, and the maintenance of peak employment in this country, as well as the economic strength of our allies, factors which are of basic importance not only to us but to the existence of the free world. Congress should then act upon these recommendations and promulgate whatever tariff policies, regulations or rates will achieve these objectives.

At an informal conference conducted by Senator Barrett of Wyoming in connection with the possible stockpiling of military fabrics, Assistant Secretary of the Army Frank Higgins, under questioning by Senator O'Mahoney, stated very definitely that no synthetic fibers had yet been developed that would serve as a satisfactory substitute for wool and that all military fabrics in the foreseeable future would be made entirely of wool. This statement, made on February 17, 1955, is the most recent of a long line of corroborations of the military essentiality of wool fabrics in clothing our Armed Forces.

In the hearings before the Senate Committee on Agriculture and Forestry, in connection with S 2911, a bill to provide for the development of a sound and profitable domestic woolgrowing industry, under date of February 19, 1954, the Honorable Ross Rizley, Assistant Secretary of Agriculture, testified:

"Importance of wool: The Congress and the President have declared the domestic wool industry essential to our national security and welfare. Wool not only is important in our everyday living, it is a strategic item in our national defense. We are producing less than one-third of our peacetime requirements.

"Our present level of production is equivalent to only about one-half the rate of consumption for military use alone during World War II. The foreign wool upon which we must rely to supplement our domestic production requires shipping over sealanes from five to eight thousand miles. Dependence upon imports over such extended supply lines in time of national emergency with the hazard of submarines to ocean shipping is not wise nor sound planning."

This essentiality of the end product obviously reverts both to those who grow the wool and those who convert it into fabrics.

It is a fact that in properly considering the problems which confront us, the wool industry must be regarded in its entirety. It is a chain composed of many connecting links, starting with the raising of the sheep and the shearing of the raw wool and not ending until the finished fabric is delivered to the ultimate consumer. Anything which weakens or destroys a link in this chain tends to weaken or destroy the entire wool operation. The problems of our woolgrowers must also be the problems of our wool textile mills, because it is vitally important that there be a flourishing woolgrowing industry in this country, even though the supply of domestic wool is augmented by wool grown in foreign countries. Conversely, the problems of the wool textile mills must be also the problems of the woolgrowers. First, because we are their only market and, second, because raw wool is of no avail in clothing our people until it has been first converted into cloth. I stress this point, gentlemen, because of the conviction that the importance of the oneness and continuity of the wool operation from the sheep to the consumer has been overlooked in the past.

Our own Government has recognized, in a most tangible way, the importance of woolgrowing in this country and the further importance of stimulating the growth of still more wool by providing a specific subsidy plan for the woolgrowers. Such a subsidy plan was considered necessary because the present duty on imported raw wool from abroad is too low to achieve its intended purpose. I applaud this further financial encouragement to the woolgrowers because our company, for many years, has argued that it is in the national interest to have a flourishing woolgrowing industry within our borders.

I submit, however, that if it is necessary for our Government to assist, through subsidy, a part of the overall wool operation, then thought also must be given to provide proper protection or relief to those who convert the raw wool for

its end use. The wool which is merely grown, shorn, and stored in warehouses is of no basic value to anyone unless you have the money, facilities, and skill to buy it and process it and are in a condition to do so. From a national standpoint, the money spent by the Government to encourage woolgrowing can well be wasted if the problems of the converters are not met and solved. To do one without the other would not only be wasteful but inconsistent.

In the light of these facts, what are the problems of the wool converters which need such consideration? We do not maintain that the competition of imported fabrics made by cheap foreign labor is the only worry that we face but we do say, with all the emphasis at our command, that such foreign competition is a most important factor in contributing to the present sorry state of the wool textile industry. Your committee has been furnished with the latest available figures as to the disparity in labor rates between wool textile workers in this country and abroad. You have been informed of the unusual importance of this cost differential which no ingenuity on our part can overcome. You have been given the statistics to show how the imports have risen since World War II and you possess the facts as to reduced employment, reduced output, reduced take-home pay and outright dissolution of firms that have occurred in recent years in our industry. It is, gentlemen, a sorry picture, but it demonstrates that not only should the tariff rates on manufactured wool products not be lowered, it proves also that these rates should either be increased or that some other form of reasonable protection should be afforded to one segment of an operation, especially when the Government is subsidizing another segment of the same. Secretary of the Treasury Humphrey, in his testimony before this committee, acknowledged that certain tariff rates must be raised to maintain essential American industries.

I am informed that top Army officials estimate that during times of an armed peace, the average soldier requires the equivalent of from 10 to 15 pounds of clean wool per annum for his clothing needs. Assuming that the requirements of men in the Navy and Marine Corps and Air Force are comparable and on the basis of 3 million men in uniform this means that the Department of Defense requires the equivalent of between 30 and 45 million pounds of wool clean per annum. This is roughly between 30 percent and 45 percent of the amount of wool raised in this country per year and it is approximately between 12 percent and 18 percent of the wool consumed by the wool textile industry in 1954. However, during the height of World War II each man in uniform required 26 pounds of clean wool or its equivalent per annum and 11 million people in uniform at that time had an annual requirement of 286 million pounds of clean wool. It is reasonable to assume that if world war III came upon us (which we devoutly hope will not be the case) our wool requirements would certainly be no less. At such a time, in addition to the purely military requirements, the civilian population at work in the home, office, and factory also must be clothed at least to the minimum standards of health and decency. There is the further possibility, as happened in World War II, that we would have to supply additional quantities of fabrics for our allied forces and for some such program as lend-lease.

During World War II, the wool textile industry by good management, ingenuity, and working the clock around, was able to meet this essential burden. Since that period of the 1940's the size of our industry has been reduced by the complete liquidation of at least 137 wool textile mills. This does not include those that have moved or were combined with other firms.

Our industry is still equipped to take care of the entire wool fabric needs of our country in times of peace. In fact, this is why every yard that is imported means one less yard manufactured here but the industry is none too large to take care of the pyramided needs that would come upon us in the event of another global war. It is our contention that this is an emergency for which we must be prepared. Being prepared means not only that the requisite machinery and equipment shall be in place and in condition to run. It also means that people with the necessary experience and skill must be immediately available to run them.

If more wool textile mills are forced to liquidate, if more of their machinery is sold for scrap, and if more of their workers are laid off, the necessary production potential or what has been referred to as the defense base will no longer be available should an emergency arise. We would then be forced to rely for our supplies of essential defense items upon the facilities of our allies which are far closer to the camps of a potential enemy and the products of their factories would have to be transported across broad oceans. Aside from

our personal interest and aside from the thousands of employees who depend on our industry for their livelihood, we contend that this would be an unwarranted trifling with national defense. We maintain that the wool textile industry should be properly and fairly protected by quotas, tariff rates, or some other device against foreign labor that is paid from one-fourth to one-fifth of what our employees receive (and in the case of Japan, one-tenth) in order that our facilities may be available when required.

In comparing imports with domestic production, many people have been deceived by what they feel is a very low ratio of the former to the latter. On previous occasions, we have pointed out that imports produced by low-cost labor have a destructive effect upon our domestic market far in excess of their actual volume or percentage relationship but we are prepared to take this analysis somewhat further. For example, in the year 1953 total imports of wool fabrics on the basis of linear yards were 5.6 percent of domestic production. However, in making such a comparison similar fabrics should be compared with similar fabrics because that is where the competition arises. Our own Government recognizes the importance of similarity because in our official tariff schedules pertaining to wool fabrics, the following provision was written into the schedules adopted at Geneva in 1947 and which became effective in 1948:

"Right reserved by the United States to increase to 45 percent the ad valorem part of the rate on any fabrics which are entered in any calendar year in excess of an aggregate quantity by weight of 5 percent of the average annual production of *similar fabrics* in the United States during the three immediate preceding calendar years." (Italics ours.)

We know from long experience in the market that the wool fabrics imported into this country are predominantly made entirely of wool. That is to say, there are very few such fabrics in which the wool is blended, either with cotton or with synthetics. We also know that in considering domestic production, there are many so-called wool fabrics in which cotton fibers and synthetics find a place in the so-called blends. We also know that the imports are for civilian purposes and not military. Therefore, we consider it logical and fair to compare the imports with their domestic counterpart—civilian fabrics made of all wool. We know from our intimate knowledge and personal market experience that in comparing similar with similar, i. e., all wool with all wool, the ratio of imports to domestic production is nearer 25 percent than the 5.6 percent which overall figures produce.

The important point is not so much whether this ratio of imports to domestic production is 5 percent or 6 percent or even roughly 10 percent. The point with which to conjure is the fact that these percentages have been growing steadily since 1946 and under the present setup, we have no means of knowing what greater share of the domestic market may be captured by foreign mills, especially when the low-cost mills of Japan begin to make their full impact felt.

We hear much about the uncertainties faced by those foreign concerns who would sell their fabrics here because our Government policy frequently comes up for review. How much greater is the uncertainty faced by our domestic producers who must sell their full production in this country.

By way of summary, we have endeavored to emphasize:

1. If one-half of the wool operation (namely woolgrowing) requires the added help of a Government subsidy because of its essentiality in war and peace, the other half of the same operation which converts that wool for essential use likewise requires not less but more protection than it is currently receiving.

2. That in order to insure an industry sufficiently equipped and adequately staffed to meet the emergency needs of the country in producing an essential supply for war, as well as a requisite supply for peacetime living, steps should be taken to prevent any further dissolution of the industry of which we are a part.

3. Because of the fact that the rising ratio of imports to similar fabrics produced here has already progressed beyond the danger point set by our own Government, we submit that the wool textile industry should not be made a sacrificial lamb in an attempt to solve a problem which should be a common responsibility of every industry and each citizen.

We hear it stated that the tariff-cutting provisions of H. R. 1 will not be used to damage any American industry or to cause unemployment among its workers. If this be true, it is difficult to understand the urgency that has been expressed for the passage of this legislation. We bow to no one in our desire to see the military security and the economic well-being of our entire country kept at the highest possible pitch, especially because we believe that the strength

of America is in fact the keystone of the entire free world. We do not believe, however, that the provisions of H. R. 1 will accomplish this worthy objective. On the contrary, we believe that it will tend to dissipate our country's economic strength, because lowered production and unemployment in one industry rapidly expands to others and adversely affects the entire economic web. Therefore, we are opposed to the enactment of H. R. 1, especially in its present form.

The CHAIRMAN. Please proceed.

Mr. ROBINSON. My name is Gilbert H. Robinson. I am a member of the board of directors and special assistant to the president of Forstmann Woolen Co.

I am also president of Forstmann, Inc., the company's sales agency.

Our mills are located in Passaic and Garfield, N. J., and we devote our attention to the manufacture of woolen and worsted fabrics for essential apparel use both civilian and military.

We are a completely integrated company. We take the wool from the back of the sheep and prepare it and finish it in a cloth form ready for the needle.

Our company, ever since its inception, has urged that the woolen manufacturing industry and the woolgrower being sufficiently protected so that at all times we would have a strong and healthy industry.

I personally for the past 10 years have appeared 3 times before this committee in opposition to the Trade Agreements Act. I will admit frankly, gentlemen, that on my previous appearances here I had been anticipating future injury that would result due to the reduction of duties on woolen and worsted fabrics coming into this country.

In 1939 and 1945 and again in 1948, these duties were reduced so that the net effect or result was that the duties which in 1938 were 60 percent ad valorem are now 25 percent. And the specific duty went from 50 cents a pound to 37½ cents a pound. Now, the effect of these reductions was camouflaged and covered up by World War II, post-conditions of World War II, and then eventually the Korean situation.

Gentlemen, I now come before you speaking of our company and of the industry of which our company is a part and saying that we are seriously hurt, and that the impacts of these previous cuts are now felt. Any further cuts contemplated under H. R. 1 are just unthinkable, and there will be no wool and worsted manufacturing industry unless something is done about our present condition.

I have quoted here—and this is directly from my statement—what we believe regarding H. R. 1, and what we believe should take its place. And having listened here for 2 days to testimony, I am quite sure that we are very close to the thinking that has been expressed by Senator Malone. And I quote from my statement:

We firmly believe that the United States Tariff Commission, adequately staffed and supplied with sufficient funds, and functioning as a factfinding board responsible only to Congress, should immediately undertake a detailed analysis of all our tariff rates, industry by industry, and product by product. Based on these studies, recommendations should be submitted by the Tariff Commission to Congress for whatever rate changes the facts warrant. The primary considerations should be the military security and the economic strength of the United States, and the maintenance of peak employment in this country, as well as the economic strength of our allies, factors which are of basic importance not only to us but to the existence of the free world. Congress should then act upon these recommendations and promulgate whatever tariff policies, regulations or rates will achieve these objectives.

That brings me to the next important point, which is the essentiality of our industry in times of national crisis, and our contribution to the security of our country.

I am going to take just a minute, if I may, to quote from a letter which is one of many we received at the conclusion of World War II. This was addressed to the head of our company, Mr. Curt Forstmann, at that time, from Lieutenant General Gregory, Quartermaster General. He said in part:

The records of the Quartermaster General reveal that during the period from June 1942 to the end of hostilities, the Forstmann Woolen Co. supplied the armed services with approximately 12 million yards of various types of fabrics. The records also reveal that the Forstmann Woolen Co. repeatedly undertook the production of new and difficult-to-manufacture cloth which other producers were reluctant to attempt, and that on occasions when the industry as a whole encountered difficulties in meeting Army specifications the Forstmann Woolen Co. utilized its research and development facilities to minimize and overcome these difficulties. In short, the Forstmann Woolen Co.'s contribution to victory was consistently outstanding, a contribution for which you and your entire organization are herewith unqualifiedly commended.

We are very proud of that letter. And we had others similar to that from other services.

Now, just a little over 3 weeks ago I had the privilege of attending an informal committee meeting called by Senator Barrett to discuss the conversion of the CCC wool stockpile into service fabrics.

Incidentally, we personally, our firm and most of our associates in the industry, heartily endorse that, because we believe that it puts fabrics into a condition where they will be ready in case of an emergency, and at the same time it would convert wool into cloth and give much needed employment.

Senator Millikin, I believe, of this committee, was in attendance at that hearing.

Specifically, Senator O'Mahoney asked Assistant Secretary of the Army Higgins this question:

We know that you have been making a thorough study of synthetics and their application in uniform fabrics. What have you found out?

Answer. Uniform cloths today are specified as all wool.

Question. Then I take it that there is no substitute for wool?

Answer. As of today there is no substitute for wool.

And that, sir, brings us right up to date as to the importance of wool and worsted fabrics in time of national emergency.

Also revealed at that hearing, was what the Army considered requirements of wool in cloth as far as each man was concerned, per year. And the figure quoted was 10 to 15 pounds per man, per year, on a clean basis. Applying that same figure to the approximately 3 million men under arms today, that would mean that we would need annually for the services at their present size somewhere between 30 and 45 million pounds of wool clean.

In relation to what wool is raised in this country today that is 30 to 45 percent of the total production. And that is on a peacetime basis. In relation to what was produced last year it is somewhere between 12 and 18 percent of the cloth that was produced, wool that was consumed in the industry.

Then if you revert to the figure, which I recollect very well, which prevailed in World War II, namely, 26 pounds clean per man, per person, and recognizing that 11 million people were under arms in World War II, you arrive at the astounding requirement of wool

in terms of cloth of 286 million pounds, which is greater than the amount of wool that was consumed in 1954, and almost 3 times the amount that was raised in this country last year.

Then put upon that the requirements of giving a minimum amount of cloth to civilians, and perhaps meeting the requirements that we had to face in World War II, the requirements of our Allies, and you can see exactly how essential and how important that particular picture is as far as our national security is concerned.

We have always, as a firm, believed that the wool growing and the wool manufacturing are really one industry, that we are a half and they are a half of a very important whole. And as such, we have always believed, and strongly encouraged, felt that the woolgrowing industry should be encouraged to be strong and to produce wool here at all times for both civilian use and the national emergency picture.

When the Congress last year recognized that by passing the Wool Act, which in turn furnished, beginning, effective, I believe, April 1, a subsidy to the wool grower with the idea of seeing that he got a fair amount for the wool he raised, and would encourage him to increase his flocks and thus increase the wool production in this country; we applauded it, and we believed that it was the right thing to do. But we also feel very definitely that Congress must take into consideration this other half of the industry; namely, the wool-manufacturing industry, because there is something that perhaps most of you don't realize, that the only place that the wool raised in this country can be converted into cloth is in the wool-manufacturing industry of this country, and nowhere abroad, right here.

Now, let me detail just for a minute the serious situation that does exist in our industry today. It is deplorable—and I use that word very advisedly. A few years ago, in 1948, there were 195,000 people specifically employed in what is recognized as the woolen and worsted industry of the country. Today there are less than 95,000. In our own Passaic and Garfield area there were 13,000, today there are less than 5,200. And as a matter of record, in the past 3 years there has been a liquidation of our industry of something like 137 firms—and this does not include the blending together, or putting together of firms, or the removal from the North to the South.

Productionwise, the peak was something over 600 million yards, and today it is less than 300 million, less than half. And the papers are full of the unprofitable conditions that exist in the woolen and worsted industry.

The CHAIRMAN. Do you attribute that condition to the foreign imports?

Mr. ROBINSON. I was just going to make that statement, Senator. I recognize, sir, that automobiles with their two tones, and television, are competing for the American dollar. I also recognize the strides that have been made in synthetics and the use of synthetics in cloth, both in combination with wool and in combination with other fabrics. But I do say, I am positive both from my own experience and my intimate knowledge over 15 years with the business, that imports are the greatest single factor that contribute to this condition.

Senator MALONE. What is the total amount of woollens of that character used in the United States at the present time, including imports,

as compared to a few years ago? Or, to get at it another way, is there a decrease in the use of woolen goods altogether?

Mr. ROBINSON. The domestic production, as I just testified, has gone from 600 million yards to less than 300 million. That is 50 percent right there.

Now, your imports have expanded some 450 percent. Now, those figures are still relatively small.

Senator MALONE. But that is not quite the answer. Regardless of 400 percent, you would have to know how much it was in the first place. Do the imports plus your manufacture equal what you manufactured before the lull?

Mr. ROBINSON. No, it does not.

Senator MALONE. What is the difference?

Mr. ROBINSON. The difference is still substantially off from the overall peak. But I think that overall peak was an exaggerated figure, too, due to the starvation of the civilian population at that time.

Senator MALONE. You mean there was a quota on what the civilians could get?

Mr. ROBINSON. That is right. They were actually limited, and they were put into certain straitjackets during the war as to the kind of clothes, and they were very, very scarce indeed.

At one time our mill was 100 percent Government work.

Senator MALONE. Including the Government work, do the imports and the amount of manufacture now produced—what I am trying to get at is this—has there been a decrease overall in the use of woolen goods?

Mr. ROBINSON. There has been a decrease from the peak, but the overall—

Senator MALONE. The peak was the Army peak?

Mr. ROBINSON. That is right.

Senator MALONE. I am talking about the regular peak.

Mr. ROBINSON. I would say that the average today is very close to where it was in the prewar picture, around three to four hundred million pounds.

Senator MALONE. What it would have been if you had no emergency?

Mr. ROBINSON. That is right.

Senator MALONE. But the imports now have taken a considerable sector of your business on that basis?

Mr. ROBINSON. That is right. It has come up substantially. But the important thing there, too, sir, is this, that the imports set the level at which you have to sell the goods, in other words, they dictate the price. And I have here, if I may show you, sir, 4 or 5 samples.

Senator MARTIN. Mr. Chairman, might I ask a question?

The CHAIRMAN. Yes, sir.

Senator MARTIN. I am fully in sympathy with your position, Mr. Robinson. But a moment ago you were advocating the plan of making up into clothing—or stockpiling for military purposes.

Mr. ROBINSON. Yes, sir.

Senator MARTIN. Do you think that that is economically sound? Over the years the color and the weights for military uniforms and blankets, and so forth, change about once every 5 years.

Mr. ROBINSON. Yes, I believe it is sound. And these are the reasons. My understanding is that there is something in the neighborhood of a

hundred million pounds of wool either there or about to be there. We know, having participated in the selection of the color, that the Army uniform is to be a new color, beginning in 1956—in fact, they have bought 6 million yards here just recently.

Senator MARTIN. And it may change before that period comes around, to another color?

Mr. ROBINSON. My guess, sir, would be that that color, which is now replacing a color which has prevailed for some 15 or 20 years, will probably stand for quite some time.

And it was also brought out in the meeting the other day that even where we have a supply of the old o. d.—which is the former color—that they have made arrangements with one of our allies abroad to take off the shelves whatever they have, which is perhaps overhanging.

Senator MARTIN. But that is a contribution, isn't it? We are not getting any money in return for it.

Mr. ROBINSON. I understand, sir.

Senator MARTIN. I am fully in sympathy with you; I am just talking about this from an economic standpoint. It makes our military appropriations so expensive in comparison with those of other nations—I can show you my own military wardrobe, the number of times the color and weight has changed for blankets and uniforms and overcoats, and so on and so forth—and we have got I don't know how many million dollars' worth of cloth now on hand. And we are paying strage on it. It is just economically unsound.

Now, what I want to do is get this thing on an economic, sound basis.

Now, I think we are importing too much wool. And I think we are importing too much finished cloth. I agree with you fully on that. But I don't agree with you on the plan of stocking up in our Defense Department a lot of cloth that will probably become moth-eaten, and so on. The psychological effect on the men is not good when they have to use that old cloth.

Mr. ROBINSON. Senator Martin, I think I can answer that with your own argument, sir. In the first place, it would be the most economical thing that this country could do, because they could utilize wool that is sitting there doing nothing and taking up very expensive storage space by converting that into cloth at this time, with the conditions that exist in the textile industry, where we, for example, are desperate for work—we would figure with the pencil's end right up to the eraser in order to get that business—and I think that would apply right straight through the entire industry—in other words, the conversion of this wool could be, and should be done at probably the lowest figure within the foreseeable future.

Senator MARTIN. When you don't need a thing, it doesn't make any difference what the price may be; to purchase it isn't sound business.

Now, there is another thing. The armies in the future are not going to be as large in number as they have been in the past, because mechanization and motorization and all those things have changed the whole concept.

Now, I am in sympathy with you, but I just don't feel that that is a very sound argument, to have the Defense Department of our country, which is now costing so much money—and we are up against such a terrible proposition for taxes; the people need tax relief, and all

those kinds of things—it just doesn't jibe with my way of thinking, although I am fully in sympathy with you.

Senator BARRETT. Will the Senator yield to me at this point?

Senator MARTIN. Yes.

Senator BARRETT. The cost of the wool in the Commodity Credit Corporation is \$150,000 a month; isn't that right?

Mr. ROBINSON. It was so testified; yes.

Senator BARRETT. If this stockpile of wool in the hands of the Commodity Credit Corporation were converted into fabrics, how long would that last as far as the needs and the requirements of the Military Establishment is concerned?

Mr. ROBINSON. If you will accept my figures—and this is the third point that I was going to come to—even on the basis of the present 3 million men, they need 30 to 45 million pounds of wool clean, so at the most it would be an amount under the present conditions of a little more than 2 to 3 years at the outside.

Now, if you had an emergency situation, such as I described, where you had approximately 11 million men—or let's say half that—with 11 million men it would still require 286 million pounds clean, and we are talking about a hundred million. In other words, it would be one-third of that on an 11 million basis, or on the basis of 5.5 million, half that.

Senator BARRETT. What about this moth-eaten proposition that Senator Martin mentioned?

Mr. ROBINSON. The greatest danger of destruction on wool is in its raw state, and once you have converted it into cloth, it is much easier and much surer to keep that cloth by certain precautionary steps and measures, to keep that cloth in a 100-percent sound condition, as against the situation where it is in the raw.

Senator BARRETT. Senator Martin served in the Spanish-American War. Isn't it a fact that we used in World War I fabrics that were made up for the Spanish-American War; in World War II fabrics that were made up for World War I; and in the Korean war fabrics which were made up for World War II?

Mr. ROBINSON. That is my understanding.

Senator MARTIN. Mr. Chairman, I don't know whether any of you were commanding officers, but if you were, you realize the hell that the men raise when they get mothball-smelling clothes and something that ought to have been used 25 years before. We had it in rifles, and so on and so forth, and it is one of the silly things that we do in the United States. And it makes defense, the cost of defense, entirely too high.

Now, I am in sympathy with you, because I was a woolgrower at one time, and I was put out of business, and I had then to find some other kind of business to get in, so I became a lawyer, and I have been troubled ever since. If I had kept on growing wool, I might have been happy.

Senator MALONE. Do you remember in World War I when they issued those awkward woolen blouses to the men with the tails hiked up? I had a battery of 200 men in France, and I had a little difficulty with them.

Senator BARRETT. Might I ask a question here on this other point?

Now, as I understand your statement, Mr. Robinson, the fact that cuts have been made in the tariff on your products, in 1939 and in

1945, and again in 1948, did not have any effect because of the intervention, first, of the depression of the 1930's, and then of World War II, and then of Korea, but today they are beginning to take their toll, and 137 of your mills have been closed completely?

Mr. ROBINSON. That is exactly right.

Senator BARRETT. Now, I would like to have you relate the exact difference, as far as a suit of clothes is concerned, with the tariff. As I understand, the tariff specific on wool has been reduced from \$2 to \$1.50 a pound. Is that not right?

Mr. ROBINSON. The specific wool duty in cloth has been reduced from 50 cents a pound to 37½ cents a pound. That is supposed to be comparable to the reduction that was taken in raw wool from 34 cents to 25½ cents; yes, sir.

Senator BARRETT. And the ad valorem has been reduced from 60 to 25 percent for the cost of that particular cloth; is that right?

Mr. ROBINSON. Exactly; yes, sir.

Senator BARRETT. Now, then, take a suit of clothes, how much would that really amount to, that reduction from 60 to 25 percent?

Mr. ROBINSON. Well, let's see. I think I can work it out.

I have here a piece of men's wear, sharkskin cloth that we produce and we sell for \$6.25. Here is a piece of goods—and you can take my word for it, it is a good piece of goods—and the landed price is \$3.82. Now, that is the price that that is landing today on the basis of the 25 percent ad valorem and the specific 37½.

Now, of course, we have got to assume that this cloth, of which it takes 3 or 3½ yards to make a suit of clothes, if this were—let me say this first: It is impossible for me to compete with it, we can't produce this cloth at this selling price, it is just impossible. And then, if you were to relate it to the finished suit, it would probably figure somewhere around \$20, \$15, depending on what kind of labor you used in the makeup of the garment itself.

And with that kind of margin, naturally, the fellow is going to buy the Japanese cloth and not my cloth.

And if I might show it, here is the sharkskin about which I am speaking. Here is a piece of gabardine from Italy, compared to our gabardine. Here is some soft women's wear suitings. Here is a coating in direct competition to one of our biggest fabrics of last season—it was big until this competition came into the picture.

That is a piece of goods from Spain.

The CHAIRMAN. From what country come the most imports?

Mr. ROBINSON. At the present time England, in the overall, is still the biggest supply of foreign goods into this country. But in recent seasons and recent years there has been a tremendous increase from Italy. And now the German industry is getting going. And just as we are beginning to face that situation, we have this threat from Japan.

I had an experience, if I may relate it—I had a very good customer—you recall I said I was in the sales end of the business, so of my own personal knowledge I know these things—I was talking to a customer of ours, and we had just recently brought out a very beautiful all-worsted flannel. And we brought it out kind of like we would, to be very honest with you, kind of like we would figure the Army goods, because we wanted to keep our personnel staff together, we wanted to keep producing. And we put a price of \$4.95 on it. I showed it

to the customer the other day and I said, "I want all your business on this."

He said, "I am sorry, you are 6 months too late."

I said, "What do you mean?"

He said, "I am buying this goods from Japan today and paying \$3.75."

Senator MARTIN. And what was your price?

Mr. ROBINSON. \$4.95, a differential of \$1.20. And this was the piece of cloth that we had figured up from the pencil end right up to the eraser.

The CHAIRMAN. Is the quality identical?

Mr. ROBINSON. We like to think that we make a little better quality than anybody else, but I would say that for the layman, the person who isn't in this business and living it 24 hours a day, it would be recognized as a very good piece of goods.

Senator BARRETT. Mr. Robinson, is the average price of your worsted about \$6, or would it be \$7?

Mr. ROBINSON. I would say that is a fair figure. As a matter of fact, our overall average—our men's wear sharkskin goods, I think, are \$6.75, yes.

Senator BARRETT. Would you compute the change in the tariff from, say, 60 percent of that valuation, is that the way you are deriving it?

Mr. ROBINSON. Unfortunately, sir, as has been brought out in this picture—I am glad you brought that up, because it isn't a question of going back to the 60 percent we had in 1938—since that time I have heard testimony, as everybody in this committee is aware of, as to the fact that we have had a devaluation of the pound, a devaluation of the franc, and all—

Senator BARRETT. There are so many things entering into this picture.

Mr. ROBINSON. Yes.

Senator BARRETT. Now, as I figure it, with the tariff alone, it would be \$2.75?

Mr. ROBINSON. That is right.

Senator BARRETT. And at three or three and a half yards to a suit of clothes that would be \$8.25?

Mr. ROBINSON. That is right.

Senator BARRETT. And you have got to add the drop from 50 cents to 37½ cents, so that is something else to be figured in.

Senator WILLIAMS. That was removed in the reduction of the tariff in 1939, is that right, in one suit of clothes?

Mr. ROBINSON. That is right.

Senator BARRETT. And, of course, you have got the matter of all these other reductions as far as the value of the pound, the franc, and so on, are concerned that have been devalued. And in addition to that, of course, you have got the labor factor.

Mr. ROBINSON. The labor factor is the guts of this thing. Anybody knows that story. We are paying in our industry an average of \$1.70—I heard the gentleman from North Carolina, Congressman Dorn, say yesterday that they had been paying out in his area \$1.29, but they also give them houses for \$5 or \$10 a month. I think that is great but it doesn't help the New England area. But what is most important against that we have the 35 to 40 cents an hour which is paid abroad. I have been in north of England, where I had the privilege of seeing

conditions firsthand. And in France they are paying 35 cents, in Italy 30 cents. And now this German business is building up, and they are about 30 cents an hour. And all of that goes against our figure, which is 4 to 10 times as great.

Senator FLANDERS. Let me ask you this one question. If you were to disregard the differential in the labor costs between England and Europe and Japan and this country, and confine it solely to this reduction in the tariff, which you say is now for the first time becoming effective in closing these factories right and left all over the country, would the difference in the reduction in the tariff amounting to \$9 for a suit of clothes make it impossible for you to compete with foreign countries.

Mr. ROBINSON. May I answer the question this way. I do not believe—and you have gone through the actual mathematics of the thing—I do not believe alone a restoration of duty to the former level that prevailed in 1938 would do it alone. It would certainly help a great deal. And we would welcome—we are at the point now where we need every bone that is thrown in our direction—but it certainly would help.

We have always believed—and I have so expressed our opinion before this committee three different times—we have always believed that a flexible quota was the answer.

Now, I heard the testimony here yesterday and the day before on this matter of flexible tariffs. I really don't know what the answer is. I know that the world picture has been taken care of by subsidies, and maybe there should be a subsidy for the industry. But something has to be done to protect this other half of the industry, which I think has certainly been recognized by the Congress as an essential and basic industry that needs to be protected.

Senator MALONE. I would say to you that we kissed off the whole industry by that act; we didn't protect it. They are afraid to put their money in it now, and are slowly going out of business.

Mr. ROBINSON. Well, we have come to this point, sir, thinking that it will help where it is the raising of the tariff or the introduction of a flexible tariff, or a subsidy, or what we believe is a flexible quota that we believe to be the solution, and something that we think it is very vital and very important to institute in this industry, and to do it very quickly.

I think a number of things have been brought up in the questioning, and I am very happy that they have, for I intended to bring them out, as a more or less formal part.

There is one thing I think it is important to know, and that is that the woolen and worsted industry in this country is nothing to be ashamed of. It is a very efficient operation on the overall picture. There are some figures that I obtained, and we put them in the record on the House Ways and Means Committee, which indicate that we operate some 50 to 80 percent more efficiently than our next highest-paid group, the United Kingdom, but that cannot offset it. There is no miracle solution to this.

The CHAIRMAN. What are the wages in the English woolen-fabric industry?

Mr. ROBINSON. The figures that prevail there—let me give them to you on an average—they average around 40 cents to 45 cents, as

against our figure of \$1.29 in the South and \$1.70 in New England and through the Passaic area.

Senator WILLIAMS. That is on the basis of the present exchange rate?

Mr. ROBINSON. That is fixed exactly on the basis of the present exchange rate.

The CHAIRMAN. That same figure would prevail through middle Europe?

Mr. ROBINSON. It is even less in middle Europe. I would be glad to submit for the record a careful study that we made of this whole wage picture. We got it from foreign countries, the International Labor Office, Geneva, Switzerland, and the Department of Labor, and so on. But the summarization of it would indicate that throughout Europe it was even less than in England. I think it is 35 cents in France and 30 cents in Italy.

Senator BARRETT. And much worse in Japan.

Mr. ROBINSON. My understanding is that it is below 20 cents; the figure I have is 19 cents. I heard it testified to—and maybe this applied primarily to the cotton industry—that it was 13 cents. But it is under 20 cents, that I am sure of.

Senator BARRETT. We are 10 times higher in this country?

Mr. ROBINSON. Yes, sir. We are 10 times higher.

The CHAIRMAN. Those working in the woolen mills in the foreign countries get more than those working in other textiles, cotton mills, for instance?

Mr. ROBINSON. The only indication I had of that was the figure that was quoted yesterday—I think again it was Congressman Dorn who said that they were being paid 13 cents—and the figure that has been worked out through our industry sources for the wool and worsted industry is 19. So that might indicate a somewhat higher figure. But it is still very, very low in relation to the picture that exists—

The CHAIRMAN. Have you got any figures on the production of the workers in this country as compared to the workers in other countries?

Mr. ROBINSON. We went to England, because it was assumed—and I think quite rightly—that the north of England was the next most productive area. And those figures show that we are some—well, here it is. For instance, in 1952 in the United States 501 million square yards were produced by 112,945 workers, and the square-yard average was 4,445 per worker per year. In the United Kingdom at the same time that figure was 2,435, which indicates quite clearly that we are at least 50 percent more efficient.

The CHAIRMAN. Is that on an hourly basis or a yearly basis?

Mr. ROBINSON. This is a yearly figure.

The CHAIRMAN. Do they work the same number of hours?

Mr. ROBINSON. We worked less hours.

The CHAIRMAN. And then the investment, of course, is another question. Is the investment in England larger or smaller as compared to this country?

Mr. ROBINSON. Well, Senator, I had incorporated all of those figures in the other statement and at your request I left them out. I am very glad that you brought this up. It is in the statement that I made before the House.

The CHAIRMAN. Will you do this, sir: Get up a statement on the basis of the production per man-hour, and the wages per man-hour,

the investment required per man on the same basis and straight down the line. I don't want to take up your time now.

I have been impressed with your testimony. We have a woolen mill in the city of Winchester, it is a backbone industry of the community.

I would like those figures in a concise fashion.

Mr. ROBINSON. I am sure I can furnish them to you in the near future. It is simply a question of putting them together.

I do not want to take any more of the time of the committee. I just wish to say to you that we need desperately the help of this committee and the Congress of the United States to help solve this problem.

The **CHAIRMAN.** Thank you, sir.

(The following letter was subsequently received for the record:)

MARCH 16, 1955.

To: The Honorable Harry F. Byrd.

From: Mr. Gilbert H. Robinson, Forstmann Woolen Co., Passaic, N. J.

When I appeared before the Senate Finance Committee on Tuesday, March 8, you expressed interest in my testimony relative to the woolen and worsted textile industry. You asked that we submit to you figures pertaining to production per man, wages per man-hour, and investment required per worker for the woolen and worsted industry in the United States as compared to the textile-producing areas of Europe and Japan.

Pursuant to your request, we respectfully submit the following information:

I. The figures which we gave to the House Ways and Means Committee had to do with the production per man per year in the United States in relation to the recognized next most efficient textile area, namely, the United Kingdom. (Please see chart No. 1.) It is readily seen from these figures that in the most recent year, 1953, the production in the United States was 3,849 square yards per worker, as against 2,467 square yards per worker in the United Kingdom. This ratio shows clearly that the worker in the United States produces 50 percent more than his counterpart in the United Kingdom.

We have endeavored to secure equivalent figures for other areas of Europe, as well as Japan, but have no dependable figures to submit to you at this time. However, we are sure that when modern equipment and machinery are introduced in an area such as Japan, with supervision of the local people by experienced and trained technicians from the United States, there is no reason to believe that overall efficiency would be any less than that of the most efficient manufacturer in this country.

II. Pertaining to wages per man-hour in the United States compared to other textile-producing areas in the world, we submit the figures as shown on chart No. 2. These figures are the gross amount of wages paid per week divided by the number of hours worked per week.

There are no miracles of management or efficiency that will overcome such wage differentials as these.

III. Pertaining to the investment required per man, factors such as public confidence and depreciation policies, as well as many other elements, have a substantial effect in determining values in any given time. To equalize all of these variables, it is necessary to start from scratch. To build and equip a new, modern, medium-sized, fully integrated woolen and worsted textile mill would cost at today's prices: \$10,000 per worker in the United States, \$3,000 per worker in Europe, \$1,500 per worker in Japan.

These figures are arrived at after a very careful study by our vice president in charge of purchasing, and by our chief engineer, who, because of their years of experience in their fields, we believe are especially well qualified to answer this question. (Please see chart No. 3.)

Based on competitive figures for wool textile machinery, a European wool textile mill could purchase such comparable machinery at prices at least 30 percent lower than those available to an American mill.

European building construction costs vary greatly from country to country. In some cases, materials are scarce, but labor rates in building trades are generally less than one-fourth of those in America. European climate would necessitate less air-conditioning and humidification than here. It would cost at least 30

percent less to build a comparable textile building (same floor area) in Europe than in America.

Because of low labor rates in Europe and Japan, full recognition has been given in the above figures to the fact that less labor saving devices and automatic controls would be installed, and more people would be employed in proportion to output.

We believe these figures very clearly point out the tremendous disadvantage that the woolen and worsted textile industry in this country operates under in relation to the same industry in foreign countries. Something must be done to protect this essential, basic industry.

CHART NO. 1.—Comparison of output per worker

UNITED STATES

Year	Production of woven wool apparel fabrics (square yards)	Average number of workers	Square yards per worker
1953.....	458,000,000	119,000	3,849
1952.....	501,000,000	113,000	4,434
1951.....	510,000,000	125,000	4,080
1950.....	587,000,000	144,000	4,076

UNITED KINGDOM

1953.....	412,000,000	167,000	2,467
1952.....	378,000,000	155,000	2,439
1951.....	418,000,000	150,000	2,787
1950.....	450,000,000	169,000	2,663

RATIO OF UNITED STATES TO UNITED KINGDOM PRODUCTION

1953.....	1.5	1951.....	1.5
1952.....	1.8	1950.....	1.5

Source: Annual Survey of Manufactures, Bureau of Census, Department of Commerce; Annual Bulletin of National Association of Wool Manufacturers; Wool Industry Bureau of Statistics.

Chart No. 2.—Wool textile industry, comparative wages

	Average earnings per hour
1. United States.....	\$1.56
2. England.....	.41
3. France.....	.38
4. Japan.....	.24
5. Italy:	
Specialized workers.....	.22
Qualified workers.....	.19
Common workers.....	.18
6. West Germany ¹32

¹ Represents entire textile industry.

Source: (1) Bureau of Labor Statistics (1953). (2) Ministry of Labour Gazette (October 1953). (3) International Wool Secretariat, Paris, France (December 1953). (4) International Wool Secretariat, Tokyo, Japan (July 1954). (5) Provincial Labour Offices; Central Institute of Statistics, Italy (June 1954). (6) Federal Statistical Office, Germany (November 1953).

CHART No. 3.—June 1952 wage rates

	Common labor, buildings	Common labor, heavy construction	Carpenters	Bricklayers	Structural iron workers
United States:					
New York.....	\$1.90	\$1.90	\$3.09	\$3.548	\$3.348
San Francisco.....	1.85	1.85	2.46	3.25	2.70
England: London.....	.4244	.4244	.4883	.4883	.463
Sweden: Stockholm.....	0.967-1.16	0.967-1.16	1.257-1.45	1.354-1.547	0.967-1.16
Spain: Madrid.....	.493	.493	.686	.686	.686
France: Paris.....	.41	.44	.5277	.5277	.5277
Netherlands: Amsterdam.....	.2808	.45	.3316	.327	.304
Germany: Frankfurt.....	.383	.424	.45	.45	.45
Italy: Rome.....	.3812	.3812	.467	.425	.467

Source: Engineering News Record, September 1952 issue.

Senator MALONE. I think, Mr. Robinson, you have contributed a great deal to this committee. In summation, what you are asking for is some kind of a principle laid down by Congress that can only be changed through a bill in Congress or hearings of a proper nature, so that your investors can feel confident that they will be allowed to compete on a basis of fair and reasonable competition, and the duties or tariffs adjusted on that basis. Isn't that what you are trying to say?

Mr. ROBINSON. That sums it up very quickly, exactly.

Senator MALONE. Now, in 22 years—that is a long time—how old are you?

Mr. ROBINSON. I am moving into 51, sir.

Senator MALONE. When they started with this you were about 30 years old, about 28 years old? As a matter of fact, I was that old when I had this battery of field artillery in France in 1918.

Mr. ROBINSON. Exactly.

Senator MALONE. What impresses me more than anything else in the world—and it almost breaks you down—is that the industrialists of this Nation and the workers working for them, have lost their political guts. They come in and try to get something to save themselves just 1 more month, 1 more year, 1 more period, instead of coming right out and saying what they want and joining in a fight that is going on and which would preserve the industry of this country, both economically, and for military purposes. But to preserve it for the economy of the country, you also preserve it for military purposes; don't you?

Mr. ROBINSON. Yes, indeed, sir.

The CHAIRMAN. I am compelled to go on the floor to discuss the question of bringing up the tax bill. I will ask Senator Martin to serve as chairman. And my thought was that we would adjourn at 1 o'clock and reconvene at 2. And I will ask permission from the Senate to sit in for that period. I don't think any important votes are coming up this afternoon.

(Senator Martin. Now presiding.)

Senator MALONE. You represent a woolen company, Mr. Robinson?

Mr. ROBINSON. That is all, sir. We are roughly about 4 percent of the industry. We are just a voice calling in the wilderness on this.

Senator MALONE. How many firms or how many companies are in this business that you are in?

Mr. ROBINSON. Well, the figure that I used to have, which was prior to the liquidation and merger and moves from North to South and

so on, was about 487. Now, my guess would be to use my figure, maybe there are 300 to 325 firms, and most of them are small units, sir. It is difficult for them to find a proper way of expanding—they are the small mills.

Senator MALONE. Well, I would include the southern firms and the western firms and the eastern firms and the northern firms. How many are there altogether?

Mr. ROBINSON. I think the figure is somewhere in the neighborhood of 350 to 400.

Senator MALONE. About 100 of them have gone out of business?

Mr. ROBINSON. That is right, sir.

Senator MALONE. About how many employees are represented in this entire industry?

Mr. ROBINSON. At the peak we had very close to 200,000 people and today—these figures are quite accurate, because they jell with union figures which were kept, and then we have endeavored to spearhead it a little bit further—something less than 100,000, it is about half what it was, about 95,000 people.

Senator MALONE. That just happens to be about the condition of the Morgantown Glassware Co. that sued the Secretary of the Treasury on the grounds that the 1954 Trade Agreement Act and the General Agreement on Trade and Tariffs are unconstitutional. They had about 300 employees and they have 150 now; they are going out of the picture. I think you will find the same condition in many industries of the Nation.

Mr. ROBINSON. I have heard testimony before the House, and I heard it again yesterday, and I am sure what you say is true.

Senator MALONE. What is the general overall investment represented or what was it before they began to liquidate the industry, just roughly—and you can correct it later.

Mr. ROBINSON. It is a very high investment, because you need a lot of equipment, and a lot of machinery that is there is very costly. I am going to try to multiply it, if you will give me just a minute, from a figure that I know is our particular position.

Senator MALONE. Go ahead.

Mr. ROBINSON. You have asked me for a figure that I do not have, but I think that we can arrive at the figure you are looking for. For example, we have a figure here for the overall textile industry which includes cottons, rayons, woolens, and worsteds, and so on. The total in plant and investment for 1952 is \$3,360,000,000.

Senator MALONE. What does that make, approximately, for each employee, about how much investment for each employee?

Mr. ROBINSON. The best we can give you is—there were about 1 million employees as I recollect.

Senator MALONE. About a million? I thought it was 200,000.

Mr. ROBINSON. This is the overall—\$3 billion is the entire textile industry, which includes the cotton and rayon.

Senator MALONE. Then there is about a million in the entire setup?

Mr. ROBINSON. Yes.

Senator MALONE. And the cotton industry is practically in the same condition, isn't it?

Mr. ROBINSON. My understanding of the testimony, it reminded me of our condition here 8 or 10 years ago, they are still anticipating an injury. I think the volume of their business is still pretty good, but

I think they are having a rough time making money, but they are still around the corner from being in a situation which is equal to ours.

Senator MALONE. They are still being held up by the emergency.

Mr. ROBINSON. That is right.

Senator MALONE. Go ahead.

Mr. ROBINSON. On the basis of these figures I think the investment on worsted industry alone totaled in the area of a billion to a billion and a quarter, so you have a hundred thousand employees against that.

It figures roughly around \$10,000 per employee.

Senator MALONE. \$10,000 per employee for every kind of employment?

Mr. ROBINSON. Yes, sir.

Senator MALONE. There, you see, you have lived for a couple of decades, and regardless of where the tariff or duty might be fixed under any situation or system, it was pretty hard to hurt you when they were waiting for all the local production that you could bring up.

Mr. ROBINSON. That is right, sir.

Senator MALONE. But when the emergency ceases—as a matter of fact it has not ceased yet—if we had the peace we prayed for, what do you think would happen to you under this tariff that we now have?

Mr. ROBINSON. I think even under the circumstances, sir, that we have existing today, that we are going to go out of business unless something is done, or the industry is going to dwindle to nothing, and it has already dwindled to half.

Senator MALONE. Doesn't commonsense point to that result, where the American investors are now investing in foreign plants, and the taxpayers' money has been used continuously, especially since World War II, to build these plants?

Mr. ROBINSON. Exactly, sir.

Senator MALONE. I remember 1948 when the Marshall plan came up, I said on the Senate floor there is no problem of building foreign plants if you have a market for your product.

Mr. ROBINSON. That is right.

Senator MALONE. But when you do not have a market for your product, then it takes Government money. And then if you do not provide the market, if you do not provide it later, then even your investment is gone, the taxpayers' investment.

Mr. ROBINSON. Exactly.

Senator MALONE. And now we have reached that point, 8 years after I said that on the Senate floor. Having been an engineer for years, I know that the first thing a prospective businessman looks for is a market when he is going to spend his money for a plant.

Mr. ROBINSON. Yes.

Senator MALONE. And if the market is available he has no trouble finding it, does he?

Mr. ROBINSON. No.

Senator MALONE. Now, when we have rebuilt industry in Europe with the taxpayers' own money, they are going to sell their products some place, to Russia or the Iron Curtain countries, and to China. Now they say they will have to sell to us or lose that money. Isn't that right?

Mr. ROBINSON. That is right.

Senator MALONE. That is what Ambassador Luce said, and I think she had a point, that the Italians will not understand it if they are not allowed to sell the products of their plants that the United States taxpayers built for them with our money.

Mr. ROBINSON. Yes.

Senator MALONE. She is right, isn't she?

Mr. ROBINSON. Yes.

Senator MALONE. It is a question of whether they go broke, or we go broke?

Mr. ROBINSON. It boils down to that. And under the present policy it looks as though we are the ones that are going broke.

Senator MALONE. I was glad to hear you say that you are not only for the proper protection of the duty or the tariff on a fair and reasonable competitive basis with your chief competitive country, chief competing country, for your own industry, but you are for such a protection for the wool producers?

Mr. ROBINSON. Yes.

Senator MALONE. Now, one of your associations in New England did something last year that was a great disappointment to me. They passed a resolution asking for the protection of their own industry, and passed a resolution asking for free trade on wool.

Mr. ROBINSON. I remember that, sir. We were not a party to that.

Senator MALONE. Of course, that is the reason you have been afflicted with this legislation for 21 years.

Mr. ROBINSON. Yes.

Senator MALONE. The producers of this country just never had the intestinal fortitude to get together and speak their minds before these committees and at home.

Mr. ROBINSON. Yes, sir, I believe there is a good deal in what you say.

Senator MALONE. I hope they are waking up, at least you are pointing a way.

I am glad to hear you say that any production situation, business situation, starts with the production of the material, whether it is wool or whether it is cotton, or something else.

Mr. ROBINSON. Exactly.

Senator MALONE. The wool growers, as you know, have been cut down to probably one-third what they were producing a few years ago under a proper tariff protection.

Mr. ROBINSON. That is right.

Senator MALONE. And now with a subsidy that can be discontinued at almost any time, only the people that are already in the business and are trying to save their investments are going in it.

Mr. ROBINSON. Yes, sir.

Senator MALONE. No new people.

Mr. ROBINSON. That is right.

Senator MALONE. No new people would go into your business who were not already mixed up with it under the present conditions.

Mr. ROBINSON. I absolutely agree. Under the conditions it would be ridiculous.

Senator MALONE. Now, all you ask, as I understood you, is not that we just take a shotgun and shoot in the general direction of the woolen goods production, but that we take each type of cloth and through

a Tariff Commission or proper body determine what the differentiation of cost is between here and the chief competitive country, and let that be the tariff, and you can do business.

Mr. ROBINSON. Yes, sir. And I think I can go still further. I was pretty much interested in the answer Senator Payne gave to your questions the other day, about the importance of having a selective basis within an industry, because there are certain segments of an industry which may be doing all right and other segments that may be desperately hurt.

Senator MALONE. You are talking about the type of clothes or the things that they are manufacturing out of the different types?

Mr. ROBINSON. That is right.

Senator MALONE. Has there ever been a Tariff Commission operated in any other manner? If it is operated as an agent of Congress under the 1935 tariff law, isn't that exactly what they do?

Mr. ROBINSON. That is my understanding.

Senator MALONE. There are about 5,600 products or more?

Mr. ROBINSON. That is right.

Senator MALONE. They don't just take something made out of wool and say, "We want a 4-cent-a-yard or a 2-cent-a-yard duty." They study the overall picture?

Mr. ROBINSON. Exactly.

Senator MALONE. It is like something made out of steel, you don't just take a hammer and say, "This should have a 10-cent tariff," and apply that to a large generator, do you?

Mr. ROBINSON. No, sir, you would not.

Senator MALONE. Wouldn't you take them separately?

Mr. ROBINSON. Each one should be taken up separately.

Senator MALONE. There is no sense in considering it any other way, is there?

Mr. ROBINSON. You cannot have apples and oranges all in the same barrel, you have got to study each one.

Senator MALONE. Just because they have the same protein content.

Mr. ROBINSON. That is right.

Senator MALONE. We only got into this silly method after the 1934 Trade Agreements Act was passed, didn't we?

Mr. ROBINSON. That is my understanding.

Senator MALONE. I am interested in people coming in here from different industries and talking about their importance to the national defense. I presume you are doing that because you think you have reached a point that the only way you can exist is to get protection enough to exist, or a subsidy, as a last resort, and if you are not important to the national defense, if you are just important to the economy, you are not deemed worth anything to anybody.

Mr. ROBINSON. You have said it very correctly. In other words, what has happened over a period of years has indicated that there might be an attitude on the part of previous administrations to sacrifice certain segments of the civilian economy. But there has been evidence, both before this committee and in the House, that consideration would be given to those industries which are essential in time of a national emergency.

Senator MALONE. Why would you do that, only to have it available in times of national emergency?

Mr. ROBINSON. You must support it civilianwise. We cannot operate and support the world manufacturing industry on goods to be made for the Government—that is why I endeavored to point out to you, Senator, that that was a very small segment of the picture under peacetime conditions. You need a strong domestic situation which will both consume the domestic wool in the civilian market as well as a world producing manufacturing industry.

Senator MALONE. Now, suppose there was another nation where this industry could be kept operating during the war, an adjacent nation, then why wouldn't it be just as well to allow the free trade to continue and allow that adjacent nation to manufacture it? You would have it for national defense anyway.

Mr. ROBINSON. I couldn't agree with you more on what I think your objective is on that question. I remember very well, sir, in 1942—that was my first experience in coming to Washington in connection with the various agencies, the War Production Board, and so on—and there was a very serious concern here at that time as to wool—we have never raised enough wool in this country to meet the demand—

Senator MALONE. We raised about three-fourths of it when it was properly protected.

Mr. ROBINSON. Before the war, about 70 percent. But when we saw this tremendous increase in demand occurring because of the war, there was great concern expressed all along the line that we would not be able to bring in wool from Australia because of the Japanese submarines, and so on. And there was a long time when we were not assured that these lines would be kept open. The same thing would apply, it seems to me. You cannot count on production if we stay outside of our own country, because with the conditions of modern warfare you don't know what is going to happen. You have to keep it in the country.

Senator MALONE. There was a report made in Senate Report No. 1627 that says that we can protect the Western Hemisphere and the industries in it. So if you are only talking about national defense, as 4 or 5 of your adherents have been doing here for the last 4 or 5 days, you may find yourselves out on a limb, because we can get the wool from the Argentine during a war, and we can get the cloth produced in Canada, in Mexico, or any of the Western Hemisphere nations.

Mr. ROBINSON. As well as wool and worsted—I would like to confine whatever opinion and ideas I have on that subject. The wool you would get from South America would not be usable for the requirements of an emergency.

Senator MALONE. Would it be usable from Canada or other places?

Mr. ROBINSON. A very small amount of it. The bulk of it has to come from the big producing areas first, the United States, and everything should be done to expand them.

Senator MALONE. That woolen cloth—suppose that the woolen-cloth manufacturers in Canada and Mexico and other places could handle our national-defense production and make it just as available as New England; wouldn't that be all right? I am talking about it from a national-defense standpoint, cold turkey, and forget about the production of wool, because it is a separate setup.

Mr. ROBINSON. I am not so sure I agree with that, because I think we are all a part of the same thing.

Senator MALONE. You are all a part of the same thing. But what you are saying now is that you will be put out of business if you don't get production, and then we could not get the cloth that is necessary for national defense. That is not altogether true, if Canada or Mexico or any other nation in the Western Hemisphere produced cloth when they got the wool.

Mr. ROBINSON. My feeling about that would be this: In the first place I don't know how you can count on any facility in Canada or Mexico.

Senator MALONE. Are you willing to take the word of Gen. Al Wedemeyer, for instance, that you can keep these mills running in the Western Hemisphere?

Mr. ROBINSON. I certainly have great respect for their judgment—

Senator MALONE. I think so. What I am trying to tell you is that about the only leg eventually you are going to have to stand on is your part in the economic structure of this Nation, which in my opinion is just as important as any other part, because if you start destroying segments of our industry—which we are doing now without any doubt—you have clearly shown that your industry is being destroyed—then we will go down economically, we can easily do that, and we may wake up with the same kind of a government we think we are fighting. In any case we have destroyed the workingman's job in this country.

Mr. ROBINSON. I will stand on any leg, sir, whether it is the civilian or the Government—and I could not agree with you more. I know that you cannot support an industry based upon potential war business.

Senator MALONE. I know where you are. You have reached the stage where you are frantic, you are panicky.

Mr. ROBINSON. Yes, sir.

Senator MALONE. And every other industry has reached it too in this Nation, except the industry that we call brokers that deal on the waterfronts and get an override on everything that comes through the port either way, and produce nothing. And now we are trading the producing industry for that kind of business in this country and quite a few employees are employed in this business. And we hear that they are just as important as you are as a producer. So we are trading the producing industries of this Nation for a war material manufacturing industry and becoming the war arsenal of democracy and the brokers of the world. And the Americans are investing in these other nations. Ford has 26 plants outside of this Nation. Now, I do not blame Henry Ford, I do not blame the Coleman interests for going outside. I do not blame anyone; I blame a Congress that makes that profitable or necessary. But I am trying to bring out from you what the situation is in your business, if we take this economy as a whole—which we do under the 1934 Trade Agreements Act—and judging you on that basis, where do you think you will end up?

Mr. ROBINSON. I think we have ended there already. I think we are in that kind of condition. In the meantime, I think it is important that you know that these industries of Europe are running around the

clock, while the domestic woolen and worsted manufacturing industry is just limping along.

Senator MALONE. I know that. I want to say, without taking any additional time than I have to take to bring out these points, that I have seen those areas, I have been in all of them, I have made it a point to go into them, a great deal at my expense—I have been in the engineering business for 35 years and this is the first time I have been out of it for 35 years—and I understand what happens in industrial engineering when you put a plant in an area with lower cost of labor, with your own foremen and your own superintendent and your own machinery, with workers like the Englishman, the Scotsman, the Irishman, the Japanese, that are just as efficient as our own workers, you know what happens. But apparently there are a lot of people in this country who don't know what happens. That is what I am trying to bring out.

Mr. ROBINSON. That is exactly why I am here, to try to get across to these people that I feel confident of assistance and help to this industry.

Senator MALONE. I have the Trade Agreements Act in front of me, brought up to date by the Tariff Commission—it is an emergency act, and every 3 years it has been extended. In 1951 some of us were able to get it cut to 2 years, and in 1954 we were able to hold it to 1 year. Then we had the great Randall Commission down here and they told us it wouldn't hurt to extend it 3 years and cut the tariffs 5 percent each year, and do lots of things—he wanted to put up a lot more money for the dollar shortage in Europe, and that has already been explained before this committee. It is a simple thing, too. The dollar shortage was created by the London bankers. They wanted something to tide them over for another year, and we drew on it for another year. But suppose that this year we did not pass anything. There is an idea all over the country that we have to pass something, we have got to do something. But, instead, this year we do not pass anything. Then one minute after midnight of June 12 this year every product upon which there is no trade agreement reverts to the Tariff Commission to be regulated on the basis of fair and reasonable competition. The difference in cost between this Nation and the chief competitive country on that particular product becomes the tariff. That is what the Tariff Commission recommends as the tariff. Do you understand that?

Mr. ROBINSON. Yes, sir.

Senator MALONE. Now where there are trade agreements, like in your business, they would remain in full force and effect until the President of the United States saw fit to serve a notice on the nation with which these trade agreements were made, for cancellation and in 6 months that goes back to the Tariff Commission on the same basis. Do you understand that?

Mr. ROBINSON. That is my understanding, yes, sir.

Mr. MALONE. Now, as long as it remains in the State Department, the Geneva General Agreement on Trade and Tariffs Organization which was responsible for many of these tariff reductions; the International Trade Organization that came here before Congress and was turned down, and is now dormant; the International Materials Conference, that was created by the State Department when the International Trade Organization was turned down and which is still in the State Department ready to be activated, the new worldwide trade

organization, which was set up by a resolution passed by the United Nations Assembly 4 or 5 months ago without our vote, but they say we are drawn into it now, do you understand that all of these particular organizations are based on one thing, and that is the 1934 Trade Agreements Act. These organizations can only function if that act is in force and effect. If we allow the act to lapse, they fall on their face of their own weight?

Mr. ROBINSON. It is my understanding, since I have heard you ask that question a number of times.

Senator MALONE. And simply because these trick poker games throughout the world are played for the one sucker, that is us, we are the only one that has the markets where you can sell anything and get the money, unless we have given them the money to buy it. Of course, that is not literally true. They have their markets in Europe, but with our own taxpayers' money we have built up their production too.

Mr. ROBINSON. There seems to be evidences of it.

Senator MALONE. We thought we knew what we were doing in Congress, but apparently we did not. And we have overbuilt these foreign countries. Now we say, the people are for this act, we must take these things and replace some of our industry to save these countries from communism. But we built the plants to start with to save them from communism, I heard.

Mr. ROBINSON. That is right.

Senator MALONE. And then if we don't pass anything, and the whole matter goes back to the Tariff Commission, as an agent of Congress to fix these duties and tariffs on the basis of air and reasonable competition on behalf of Congress, would that satisfy you?

Mr. ROBINSON. It sounds to me as though it would be the best way—we would like to have the industry's situation studied by a qualified group of people, and then we believe the recommendation should come to Congress where we are sure it will receive the most sympathetic ear.

Senator MALONE. You mean you want another Randall Commission?

Mr. ROBINSON. No, sir. I want Congress to be able to get in on our problem and understand it and face it.

Senator MALONE. Then should I just say that Congress studied this thing for a long number of years and finally arrived at setting up the Tariff Commission, and leaving it to them, an agent of Congress, to do this work on a principle, the principle being that of the difference in cost between this country and the competitive country? Isn't that what you want?

Mr. ROBINSON. That is certainly true. But I think you should expand or amend that particular section—I think you say it is section 336.

Senator MALONE. 336.

Mr. ROBINSON. 336 should be expanded so that there would be a criterion as to industries in these instances where it would be difficult—

Senator MALONE. If you will read it—

Mr. ROBINSON. I have read it.

Senator MALONE. How long ago?

Mr. ROBINSON. I heard you read it yesterday.

Senator MALONE. I am going to read it to you again, if you didn't understand it. That Tariff Commission takes each kind of cloth—not only woolen cloth, but each kind of cloth—and like you shoved across the counter here awhile ago—and they take each one of those and determine the difference in cost on that kind of cloth. Do you understand that?

Mr. ROBINSON. Yes.

Senator MALONE. Wouldn't that suit you?

Mr. ROBINSON. As long as I could compete fairly against cloth that comes in from abroad, cover our costs, and get a reasonable profit, that would be satisfactory; yes, sir.

Senator MALONE. Let me review it again. It lays down the principle of fair and reasonable competition. Isn't that what you want?

Mr. ROBINSON. What I want is a fair shake; yes, sir.

Senator MALONE. Then it says to the Tariff Commission on principle—they have no right to consider the political situation in Europe or the overall economy of the United States or anything else. The tariff act itself says that they shall determine that differentiation of cost and production between this Nation and the chief competitive nation and recommend that to be the tariff in each case—and there are over 5,600 of these products. Is that what you want?

Mr. ROBINSON. I certainly do. I want that.

Senator MALONE. It took me a long time.

Senator MILLIKIN. I just want to make this suggestion. No matter how you do it, somebody would have to do the judging, and it wouldn't be long before there would be the same complaint about judging the difference in cost of production and judging the effect on industries just as there is at the present time. There is no magic way in which you can insure justice for any particular group when human beings who are fallible have to make the decisions. The whole fact of the matter is that the Tariff Commission at the present time is considering injury, and if there is injury it would be easy to determine. And it is no harder to determine that than it is the cost of production, the difference in cost of production.

What I am suggesting to you is that there isn't any magical way to find a solution, but if the Tariff Commission will put its mind on a question of injury—which ought to be easy to determine, but isn't—they can give you the relief that you want and you won't have any better relief if the Tariff Commission has a difference of opinion as to cost of production.

Senator BARRETT. So that if the Tariff Commission does make a finding of injury, what can we do to be sure we get some relief in that situation?

Senator MILLIKIN. Of course, any time that the Tariff Commission makes a wrong decision—

Senator BARRETT. How can we be sure that we get some relief?

Senator MILLIKIN. If they make the wrong decision, there is never a moment that we can't cure it by congressional action.

Senator MALONE. Does that take a bill introduced in Congress?

Senator MILLIKIN. Yes.

Senator MALONE. Now, that is a very clear explanation, Mr. Robinson. Under the situation as established, if we extend this bill and do not clip the President's power, if we do not, as some have suggested, have all of his decisions approved by Congress before they are effec-

tive, then what you have is a one-man determination, regardless of any personnel opinion, or any escape clause, or regardless of any other amendments. Finally the President says himself—that is, let's assume he does, we know that he doesn't, as a matter of fact, the State Department for 21 years has done the work—but the Executive himself, if he decided not to consider it, that is final under this act, unless someone introduces a bill in Congress.

Mr. ROBINSON. That is my understanding.

Senator MILLIKIN. Is it not equally true that if he doesn't agree with the finding of the Tariff Commission on the difference of cost of production, it would have to come to Congress.

Senator MALONE. That is absolutely true. But the Tariff Commission can take it up every 2 months, they can adjust it whenever there is an application from a consumer or a producer or other interested party, or either House of Congress, or the President.

Senator MILLIKIN. We can act on tariff legislation any time we want to.

Senator MALONE. I am simply making the argument, if the Senator from Colorado will allow me.

Senator MILLIKIN. I have sat here all day listening to you, and I am going to sit here and listen to you now. Let's assume that I am going to listen to whatever you have to say. What is your point?

Senator MALONE. My point is simply this. There is a difference in allowing the Executive of this Nation the right to disregard everything that is in the bill that is a part of it as a safeguard, whereas under the tariff act, where a principle is laid down, if they make a mistake, they can correct their own mistakes.

Senator MILLIKIN. If they don't, you have to go to Congress for relief. You say it is impossible to come to Congress for relief—

Senator MALONE. All I say is that in the principle laid down for fair and reasonable competition with foreign nations, the overall economy of the Nation being considered, you can only consider one factor and that is the difference in cost. That is a principle laid down by Congress in the 1930 Tariff Act. If it can be laid down by the Secretary of State or someone in the executive department—which I think would be wrong—but if the criterion could be laid down that they could only consider the factor of differentiation of cost upon the basis of fair and reasonable competition, it would afford a chance of relief.

Senator MILLIKIN. You can get relief from Congress, or come under its protection. The point is that manufacturers shall not be injured and they can be injured by articles coming in too cheap. But if Congress wants to take the responsibility, it can give relief under the proposed system.

Senator MALONE. That is absolutely true. But Congress does not have to take the action if they lay down a principle under which the trade, foreign trade, through the setting of duties, we call tariffs—

Senator MILLIKIN. If the Tariff Commission observes those principles the way you and I think they should be observed, alright—but if they don't you will have a problem for Congress, you will have just as many questions as we do now.

Senator MALONE. I think I missed something, there is no one man who is a one-man arbiter—

Senator MILLIKIN. I thank the Senator.

Senator MALONE. I raise the question for the record, if necessary, that the President, when he finds as a fact that the overall situation, or the national defense, or the political situation throughout the world, indicates that he should reduce the duties and allow more imports in one category, to try to remedy the situation that he finds in that regard, then he should do it; whereas as a matter of fact the Congress of the United States only set down in the Tariff Commission a principle of fair and reasonable competition, and there is no one in the Tariff Commission that can knowingly consider any other fact.

Senator MILLIKIN. Senator, that privilege of the Tariff Commission by itself, setting the tariff rate under the criteria that you mentioned, or any other criteria, is all subject to a premium and properly will be subject to congressional review.

Senator MALONE. That is correct. And it is subject, then, to factual information. But in the case, as we have it now, under the 1934 Trade Agreement Act. and as it is written to extend it, no such criterion is laid down.

Senator MILLIKIN. Whatever the criterion, we either like it or we don't, and if we don't like it, we can examine it and pass corrective legislation.

Senator MALONE. That is correct.

Senator MILLIKIN. There is no magic in laying down a standard that the fellow who is to enforce does not obey.

Senator MALONE. I think there is a magic in laying down a policy to an agent of Congress of fair and reasonable competition, to set the duties on that basis, just as there is logic in creating the ICC as an agent of Congress and saying to them, "Figure the freight rates on the basis of reasonable return on investment." They don't say that if you want to develop one section of the country at the expense of the other you can have a lower freight rate. There is no such criterion.

Senator MILLIKIN. Whatever the criterion, there is no assurance that the Tariff Commission or any other board will be in unanimity on it. If they fail to be unanimous, if they make decisions that we don't like, the place to come to correct them is Congress.

Senator MALONE. That is absolutely correct. But there is a greater chance if you lay down a principle on the basis of fair and reasonable competition on the regulating of foreign trade by the setting of duties and tariffs than there is to turn one man loose—I hold that there is greater chance, not only of preserving our own economic structure, but following that principle so that a bill must be introduced and proper hearings held to change the principle, there is more encouragement for new investment in industry.

Senator MILLIKIN. There is no question about changing the principle, now that Congress has determined that there shall be no injury, that is the principle, and it comes down to a question of facts.

Senator MALONE. The principle is here in section 350. I am going to read it for the record because I don't think the witness understands it:

For the purpose of expanding foreign markets for products of the United States (as a means of assisting in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce) by regulating the admission of foreign goods into the United States

in accordance with the characteristics and need of the various branches of American production so that foreign markets will be made available to those branches of American production which require and are capable of developing such outlets by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared will be promoted by the means hereinafter specified, is authorized from time to time—

To enter into foreign trade agreements with foreign governments or instrumentalities thereof.

And it goes on to say :

To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreements as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereunder.

Now I will yield to the Senator from Colorado.

Senator MILLIKIN. I would like to invite attention to the fact that section 336, Tariff Act of 1930, says :

The President shall by proclamation approve the rates of duty and the changes in classification and in basis of value specified in any report of the Commission under this section, if, in his judgment such rates of duty and changes are shown by such investigation of the Commission to be necessary to equalize such differences in cost of production.

So that he has a choice of judgment.

Senator MALONE. That is absolutely true.

Senator MILLIKIN. So that there is no difference.

Senator MALONE. There is a great difference because he is not allowed to take into consideration a political situation, because he is not allowed to take into consideration the matter of adjusting between industries.

Senator MILLIKIN. He can take into consideration anything he wants, because it says in his judgment.

Senator MALONE. It does not say that. Read it again.

Senator MILLIKIN. "In his judgment"—and that is the only qualification.

Senator MALONE. What does it say after that ?

Senator MILLIKIN (reading) :

If in his judgment such rates of duty and changes are shown by certain investigation of the Commission to be necessary to equalize such differences in costs of production.

Senator MALONE. That is right.

Senator MILLIKIN. Supposing in his judgment it is not.

Senator MALONE. Then that might not be all right, and it only gives one criterion, and that is a difference in cost between this Nation and the chief competitive nation and it doesn't let him take in these other factors.

Senator MILLIKIN. It is all a question of his own judgment.

Senator MALONE. But on that one basis it lays down the principle, and he must adhere to it.

Senator MILLIKIN. But it is in his judgment.

Senator MALONE. That is correct.

Senator MILLIKIN. That is just as loose—

Senator MALONE. I disagree violently with that interpretation.

Senator MILLIKIN. Never mind whether it is violently or not, you have a right to disagree. But you don't mind my saying that the President's judgment is as wide as he cares to make it.

Senator MALONE. It is only on the basis of whether or not it equalizes the cost of production; it is not on whether or not he believes that some foreign country can be encouraged to stay away from communism by giving them these markets.

Senator MILLIKIN. It says "in his judgment where the rate is necessary to equalize such differences in cost of production." And that opens a whole field—

Senator MALONE. It opens up one criterion and that is the principle of the difference in cost. I think the senior Senator would admit that much.

Senator MILLIKIN. That is true, but it is in the field of his judgment, just as in the case of the Tariff Commissioners when they make their decision, which rests on their judgment.

Senator MALONE. Just on one principle.

Senator MILLIKIN. If the door is broad enough you can drive a full herd of camels through it.

Senator MALONE. I think you could, but I would just come back to one thing, as long as there is a principle laid down of fair and reasonable competition, that the difference between the cost of manufacture and the production in this Nation and the chief competitive nations—and that is exactly what it says—and only on that point can the disagreement be made, and it must be supported. Of course, the President can refuse to put it in if he thinks the Tariff Commission has made a mistake, but he can consider no other factor except the one factor, and that is the principle.

Senator MILLIKIN. So at that point he can review the whole case again and decide whether in his judgment it meets the objective of the act.

Senator MALONE. And decide in his judgment whether it meets the criterion of the differentiation in cost of production.

Senator MILLIKIN. That is right, which could involve a restudy of all the evidence that makes up the case.

Senator MALONE. That is right. But it does not include, as it does in this act, that he can take in all of these other relationships among the various branches of agriculture, industry, mining, and commerce, or more imports in one and more exports in another, but help some foreign nation—he cannot take that into consideration.

Senator MILLIKIN. But he can use his judgment—that is big enough to cover most anything.

Senator MALONE. In his judgment as to whether or not the differentiation in cost has been properly reviewed.

Senator MILLIKIN. We have had the President review the Tariff Commission on the proper assessment of tariffs to prevent injury.

Senator MALONE. All I would ask here is that if this Congress would lay down the rule, the principle, just as they did in the case of the Interstate Commerce Commission on freight rates, a reasonable return on investment, then they may make mistakes, but they can correct their mistakes on the same basis. This is done on a definite principle of fair and reasonable competition, the matter of the difference in the cost of production in this country on a specific product, and the chief competing nation. That language is in the bill and it

is the only criterion that can be used either by the Tariff Commission or by the President.

Senator MILLIKIN. Didn't you maintain, Senator, that the President's judgment was wide enough to cover most anything that he thinks in his judgment leads to such and such a conclusion?

Senator MALONE. On the definite principle laid down by Congress—

Senator MILLIKIN. Say you could take injury and break it down into the factors, does it or does it not injure, then the principle of human judgment comes in.

Senator MALONE. The place where human judgment comes in is on the differentiation of costs, in this particular wording of section 336 of the Tariff Act. And it is not confined to the difference in costs of production in section 350, the amendment to that act passed in 1954, and extended until the present time. And that is what is under consideration.

Senator MILLIKIN. I think what is under consideration is the injury and how he can determine whether there is injury. That involves a study of the financial state and a whole horde of statistical data on which human beings can differ in their judgments just as they differ in their judgment on the cost of production.

Senator MALONE. That is true. But those things are not included in this act. But in section 336 they are confined to one thing and that is the difference in cost of production between this Nation and the chief competing nations. There can be differences in judgment about that, but they cannot be as wide as the differences in judgment if you are taking in the political factors and the overall good in the judgment of one man of the entire Nation.

Senator MILLIKIN. If the President reaches a conclusion that in his judgment the findings of the Tariff Commission are not warranted as to the cost of production, you can still come back to Congress.

Senator MALONE. Of course, you can come back to Congress.

Senator MILLIKIN. All I am suggesting is that there is no magic solution to this problem. It depends on human judgment whether you put it in terms of cost of production or in terms of injury.

Senator MALONE. The difference is as wide as the barn door. In other words, you have a principle laid down by Congress that confines it to one principle, just as a fair return on the investment for freight rates. It doesn't say in that act—it has never been changed so that the President can say that one section of the country can be developed better if you change a freight rate in that section, and allow him the judgment of changing the freight rate on that basis.

Senator MILLIKIN. Any time the President uses a standard of judgment that we don't like, in saying either that there has been an injury or has not, the Congress can correct it.

Senator MALONE. That is absolutely correct. But you eliminated 99 percent of it by laying down a principle just as it laid down a principle in the 1930 Tariff Act in section 336. When section 350 was added, every factor in the world could be taken into consideration and there is no recourse except to take up that product in the Congress itself. There is no recourse as far as the Tariff Commission is concerned. It is just as helpless as a baby because all it is is a figurehead on this whole thing. So I want to say just one more thing, that if the Congress of the United States does not extend this act, you will revert

to the principle of fair and reasonable competition on the basis of the differentiation of costs between this Nation and the chief competitive nations and that is the sole field upon which there can be a disagreement.

Now, have you been approached any way at all—I know the State Department has made this recommendation at different times—that the Congress might appropriate money for additional unemployment insurance and to move workers from one place to another and compensate investors for their losses? Would you say if Congress were to adopt that policy it would help you?

Mr. ROBINSON. I don't believe that it would, sir, and I can only speak of a specific experience in our area, and what I have heard and read in the New England area where this thing is carried to a very extreme degree, and that is, that when people who are textile specialists and experts in their field, they do not find employment in the other areas, and even when they do, which is very occasionally, they always take a very substantial loss in their income. And you will find in our district today undoubtedly, the union people will come before you and testify that people are out of work; they don't find their way into other areas, and the movement of labor forced from one section to the other does not appeal to us as a practical thing at all.

Senator MARTIN. Isn't it true that an American is entitled to free choice as to where he can work, and that these men, these textile workers, are established in the various communities, their children are in school, their families are in churches, they belong to the different organizations of the community, and some of them own their own properties, and it is a very difficult thing and most un-American to require them, even if the Government would appropriate money to move them, it is very un-American to make a man leave his community and the work of his choice for some other community.

Mr. ROBINSON. You said it so much better than I could attempt to. That is exactly true.

Senator MALONE. I fully agree with the Senator from Pennsylvania that it is un-American in every way. And I also add that any such thing as we are operating under now is also un-American.

Senator MILLIKIN. I want to say this: If there is any threat of that silly proposal, the Randall Commission, which had on it some very bold thinkers, voted 14 to 1 against it, and anything that comes to Congress will likely have the same treatment.

Senator MALONE. I think it would. But we have it here without actually passing an act in that regard.

Senator MILLIKIN. It hasn't been a law.

Senator MALONE. It has been a law for 21 years that you can destroy an industry under this system, with nothing to compensate it. Now, Mr. Robinson, when a duty or tariff is lowered below that differentiation of cost between the Nation and the chief competitive nation on a particular product—and I am talking now just as the Tariff Commission has always done, on each particular kind of cost, each particular kind of machinery, if there is a tariff on it at all—what happens? Must you write down the wages or investments to meet the costs, or go out of business, or what happens?

Mr. ROBINSON. You lay off your people. You eventually go out of business. You can't continue to produce goods at a loss against the competition which is at a much lower figure.

Senator MALONE. Well, we had the example of Mr. Hoffman in the Studebaker Co. lowering the wages of laborers by agreement, at a Studebaker plant in Indiana, and operating plants in foreign countries where labor is lower, but you either have to lower the wages—they would have to agree to that, and write off enough of the investment to meet the production costs or go out of business. Isn't it?

Mr. ROBINSON. There is no alternative to that. That is right.

Senator MALONE. Now, how does foreign labor in Japan, England, Scotland, and other nations that are in competition with your business, how does the efficiency of that labor compare with the efficiency of American labor, when they have this machinery that they obviously have through the taxpayers' money in this country—but even if it were all paid for by floating the investment here and over there, how does the efficiency compare?

Mr. ROBINSON. We have made quite a study of that, particularly in relation to England, where we know from experience that they are probably the most efficient area, and I testified that our figures showed that the production of square yards per worker is substantially better in this country. I did it to indicate clearly that we are not the backward industry, that we are an efficient industry.

Now I understand that in Japan there is loomage for the woolen worsted business of 62 percent of the loomage of this country. In other words, there is a potential that has developed—I assume that it is all new textile machinery that has been moved in there just as it has been moved in for the cotton industry.

Senator MALONE. And some American investors?

Mr. ROBINSON. Undoubtedly, some of it.

Senator MALONE. Make the stuff over there and send it back under this anticipated free trade?

Mr. ROBINSON. That is right. And the differential that may exist today as far as efficiency is concerned will probably disappear and it can't possibly overcome the tremendously low figure that these people are paid, particularly in Japan.

Senator MALONE. Isn't it true that a skilled Japanese or English worker or Scotch worker, generally speaking, is just as efficient as anybody after they have been trained on the machinery?

Mr. ROBINSON. After they have been taught by the experienced specialists of our own country, I would say—

Senator MALONE. Is it not a fact—and I have been in all these nations, and I found it true—that our smart business people with foreign plants send 5 to 10 percent of the superintendents and foremen and special skilled workers to work with these men and train them, and then a certain percentage of those men, maybe 2 percent, or 5 percent, stay right there and work with them. I am not blaming our people for doing that but I am blaming Congress for making it profitable. Nevertheless it is being done. Isn't that a fact?

Mr. ROBINSON. Yes, sir.

Senator MALONE. Under that condition aren't they just as efficient as Americans on the same machinery?

Mr. ROBINSON. I am sure they work that way. I was talking about England. England is well established in machinery.

Senator MALONE. But with our money bringing it up to date.

Mr. ROBINSON. No question about it.

Senator MALONE. I was in South America, and I saw a magnesium and chromium deposit—you could trace the vein—and I can't say that I was offered a concession but I think it could have been arranged, and if I had been 20 years younger and hadn't been in the Senate, I would have put in a plant there. The plant you put in last is the best one, isn't that right?

Mr. ROBINSON. Yes, sir.

Senator MARTIN. Any further questions?

(No response.)

Senator MARTIN. The meeting is adjourned until 2 o'clock.

(Whereupon at 1:05 p. m., the hearing adjourned to 2 p. m. of the same day.)

AFTERNOON SESSION

(The hearing was resumed at 2 p. m.)

Senator FREAR. The committee will be in order.

The first witness this afternoon is Mr. Edward C. Coleman who is chairman of the Luggage & Leather Goods Lock Manufacturers' Association.

I understand that he is to be accompanied by Mr. Leonard Harris of the Presto Lock Co.

Gentlemen, will you please come forward?

STATEMENT OF EDWARD C. COLEMAN, REPRESENTING LUGGAGE & LEATHER GOODS LOCK MANUFACTURERS' ASSOCIATION, ACCOMPANIED BY LEONARD HARRIS, OF THE PRESTO LOCK CO., AND EDWARD MARTIN, COUNSEL

Mr. COLEMAN. My name is Edward C. Coleman. I am chairman of the Luggage & Leather Goods Lock Manufacturers' Association, which association represents most of the American manufacturers of luggage and leather goods locks.

We wish to state that foreign imports of luggage locks are increasing at a tremendous rate. at selling prices in many instances at or below our cost. We state without reservation that, as an industry, we stand in present and continuing danger of being put out of business under present tariff rates, and much more so if the tariff is lowered by 5, 10, 15 percent. We therefore appear in opposition to those provisions of H. R. 1.

While the association for which I speak has been formed only recently, the companies who are members of the association have been in the business of manufacturing luggage locks for many years and have been in vigorous competition with each other. The severity of this competition is probably the reason why we have not heretofore formed an association, but being confronted now with the prospect of the loss of our various businesses on account of import competition, we have now at long last organized to combat destructive import competition. We all hope to be able to continue in domestic competition. We do not want to abolish imports nor do we want imports to abolish us.

From time to time American lock manufacturers have gone out of business as a result of the superior competitive ability of other manufacturers, and we expect this in the competitive economy in which we live. As long as we are subject to approximately the same Government regulations, wages, and taxes, we do not consider that the Government has the function of keeping any of us in business. That is our individual responsibility. However, when we are threatened with the loss of our businesses on account of competitors whose labor costs are so much lower than ours and who do not bear the staggering taxation cost that we have, we do believe that it is a proper function of Government to do something so that we shall have at least an even competitive chance of keeping our workmen employed.

Purely and simply, gentlemen, the matter is one of costs. Our raw materials costs, our labor and our overhead costs are today at an alltime high. For example, steel prices have increased by 26 percent since 1951. Every prospect is that they will go higher this year. Our trend of profits during the past 5 years is steadily downward. Despite this, instead of raising prices as many other manufacturers do, we have in many instances cut prices in an attempt to meet foreign competition—a vain attempt in many cases. Despite a supposed margin of efficiency which the American working man has over his German and other foreign contemporaries, it is impossible to pay tool-makers and diemarkers from \$2 to \$3 an hour in the United States, when in Germany they are paid 58 cents an hour, and to stay in business while doing it. I need not drag this out by citing statistics for lesser skilled labor in this industry. It is sufficient to say that similar lesser skills in Germany may be had for 27 cents and less an hour, according to figures cited in a recent issue of Life Magazine. In addition to this comparison you are familiar with additional expenses fixed by law and custom which affect our cost nationally—social security taxes, unemployment compensation taxes, corporate income taxes, liability and hospitalization insurances, paid vacations, bonuses, retirement plans.

Luggage locks have been imported for many years, but recently imports have increased sharply. Several of us have lost very large accounts to importers. The reason we lost the accounts is that the imported locks were available at prices near or below our cost of production. As an illustration, I would like to read a letter received by my firm from a prominent luggage manufacturer, under date of November 24, 1954, from the largest manufacturer of its kind in this country, addressed to the Long Manufacturing Co., Inc., a member of this association :

I find it very difficult to write this letter as I had hoped by now to be placing my first order with you on your S66 lock. However, since your visit to our plant we have found a new lock, which incorporates everything we have been looking for in a low-priced lock.

Here are its features: high polish finish, full throw hasp, rotating tumbler in the keyhole, and an elongated hasp. The significant thing about all this is, with all these improvements we have been able to buy these locks at a price lower than your quotation, even reflecting the additional saving of rivets and labor application.

We showed this new lock to several of our buyers who indicated that they preferred this style to Presto's \$18 No. 731 lock. I am quite sure you will agree with us that with an opportunity such as this we had no choice but to take advantage of it.

The only consolation I can offer is that it is a foreign-made lock. We are quite certain no domestic manufacturer can touch this value. Some of our competition has already featured this lock, so undoubtedly you have heard of this value coming on the market within the past few months.

We wish we could offer you some encouragement even at some future date. However, conditions as they are, just as long as this value is available we are obliged to take advantage of it.

Thank you for all the time and trouble you have spent in developing our interests.

Gentlemen, the lock which lost the business is made by the Long Manufacturing Co. and priced at \$13.80 gross. Please note that the foreign lock is considered better than another lock made by Presto Lock Co. of New Jersey at \$18 gross.

Under date of November 23, 1954, addressed to the same Long Manufacturing Co., Inc.:

Yours of November 9 at hand, and wish to advise that I have received samples of the S-38 lock and they look very good. I think we could get by with them on the majority of our cases, but you still aren't competitive with the import locks as I showed Coleman when he was here of \$10.50 a gross.

Gentlemen our S-38 lock is priced at \$12.60 per gross.

We do not believe that our industry can expect to continue long in business unless the Government imposes a reasonable protective tariff on imports. Under the Tariff Act of 1930 luggage locks were originally dutiable at 45 percent ad valorem, but this rate has been reduced through the trade-agreements program until it is now 22½ percent. Bear in mind that this ad valorem tariff is assessed on the foreign value of the goods, that is, the price at which they are sold in England and Germany and in other countries. It has no relation to the price at which locks are sold in the United States. Since the foreign value of locks is so low, the amount of duty is commensurately low, and the tariff duty does not now give us a reasonable measure of protection.

We are convinced that unless the United States gives a reasonable measure of tariff protection to its manufacturing industries, at least those in which labor costs are a relatively important part of the total, there is going to be widespread damage to our economy. Our industry is one that needs a reasonable tariff, and performance under the trade-agreements program to date has not given us reason for encouragement to think that a reasonable tariff will be granted us under the trade-agreements program.

If production today in Germany and the United Kingdom is at an alltime high, and if there is an ample dollar reserve in these countries, and if such production and reserves have been built up under our present tariffs, why then is it necessary to lower them further? We do not seek prohibitive tariffs—we recognize the harm in that. But we do seek equitable tariffs and respectfully and firmly submit that present tariffs are not equitable. What, then, is the advantage to the people of these United States to lower tariffs yet again? We could not reasonably pose this question—which demands an answer—if we alone objected. We are, however, one of many diverse groups of all sizes from throughout the Nation who ask it.

Our three principal points are as follows:

First, this concerns the President's authority to increase tariffs. This factor has been pretty largely overlooked in the trade-agreements program heretofore, since most of the pressures have been for reduction of tariffs. However, in view of the stress placed by the adminis-

tration and other supporters of the program on the escape clause, it seems to us that the legal authority to increase duties should receive attention.

The committee will recall that when this program was adopted in 1934, the President was authorized to increase or decrease rates then existing by not more than 50 percent. When the President's authority was modified by Congress in 1945, he was given additional authority to decrease duties as much as 50 percent below the rates then existing. The reason for this increased grant of authority was that the President had already made reduction of 50 percent with respect to a good many commodities and it was felt that in the case of some of them further reductions should be permitted. However, at the same time Congress gave the President new authority to make cuts in our tariff, it reduced his power to increase the duties; it tied the authority to increase duties by 50 percent also into the 1945 data. Take an illustration, the case of luggage locks. In 1934 the rate was 45 percent ad valorem. The President was then empowered to reduce that rate to 22½ percent or to increase it to 67½ percent. Under the trade agreement with the United Kingdom he exercised authority to reduce the tariff to 30 percent, effective January 1, 1939. This was the rate existing in 1945. Under the modified authority of the 1945 law, the President could reduce the duty to 15 percent, but he could only increase it to 45 percent.

When the 1945 law was under consideration, the primary emphasis was on the question of whether the President should be given additional tariff reduction authority. No attention seems to be given to the question of whether the power to increase tariffs should be curtailed. We do not know whether this curtailment of legal power to protect American industry was a "sleeper" slipped in by the free-traders or whether it was an oversight, but we do firmly believe that it resulted in a serious blow to the industries that are dependent on tariff protection.

Turning now to the pending bill, H. R. 1, we ask the committee to note section 350 (a) (2), page 3, line 23. We ask particular attention to subparagraph (A), which says the President shall not proclaim rates more than 50 percent higher than the rate existing on January 1, 1945. This is the same as existing law.

We take this to be an acknowledgment of the principle that when additional power is asked for the President to reduce tariffs, it is not necessary to curtail his power to increase tariffs. We accept this as a sound principle and believe it is appropriate and necessary if the escape clause is to be more than mere words.

We submit, however, that this bill is only a belated recognition of the principle and its application is not adequate. Specifically, the principle should have been recognized in 1945.

If, in 1934, it was appropriate to give the President authority to increase tariffs 50 percent above the then-prevailing rates, why was it inappropriate for that authority to be continued in 1945? We believe there is no answer to this question and that the reason the 1945 curtailment of protective authority went through was that the attention of the opponents of the trade-agreements program was focused on the tariff cutting power.

Consider that since 1934 the rates stated in the United States tariff have on the average been reduced by the President by approximately

50 percent. Of course, many rates have been reduced the full 75 percent permissible, but others have been reduced less than 50 percent, so that on the average the tariff has been about cut in half. But this refers only to the reduction in the formal rates. Actually, in this interval, the average level of the tariff has been reduced by 75 percent. This results from the fact that many of the duties, especially on articles imported in great volume, are stated in terms of specific rates, that is, so many cents or dollars per gallon, ton, pound, and so forth. As the price level increases, the incidence of the specific tariff averaged about 50 percent ad valorem on all dutiable imports. It now averages about 12½ percent ad valorem on all dutiable imports.

Yet, in the face of this startling reduction in the protective level of our tariff, the President's authority to restore any reasonable measure of protection has been severely curtailed by the 1945 law. This artificial and unreasonable limitation of the President's power should be eliminated and the authority to increase tariffs should be restored to what it originally was under the Trade Agreements Act of 1934. This can be accomplished by striking out the date "January 1, 1945," on page 3, line 24, and inserting in lieu thereof the date "June 12, 1934."

We think it is essential that Congress adopt this amendment so that it will let the people in the State Department and other executive agencies know that the Congress regards the escape clause as of vital importance and as intended to work and not as just a group of words designed to garner votes for a free-trade program.

One result of the severe curtailment of authority to increase tariffs is that in some cases the maximum increase permitted by the present law is too small to permit the industry to continue in business and accordingly the Tariff Commission has to recommend that absolute quotas be put on imports. Now, there may be cases in which absolute quotas are desirable, but our feeling is that as a general proposition absolute quotas on trade are contrary to the fundamental American system of enterprise. They promote Government interferences with trade, and if carried to their logical conclusion, will result in systems of licensing whereby importers must obtain specific permission from bureaucrats for each item of their daily business.

We do not say, of course, that absolute quotas are always bad. There may be some situations, especially of short-term nature, where an absolute quota is necessary to preserve the domestic industry. But, as a general proposition, we are convinced that the system of tariff protection is much more in conformity with the American system of enterprise than are absolute quotas. Businessmen can adjust to tariffs and rely on their individual judgments. Quotas make too many business decisions subject to governmental whim or veto. Accordingly, we believe that any provision of law which artificially promotes a general system of quotas on imports is vicious. If the Congress will restore the tariff-increasing power to what it was under the original Trade Agreements Act, much of the compulsion toward direct government interference in business will be removed.

Second, we would like also to call to the committee's attention the second proviso of the proposed new section 350 (a) (1) (A), page 3, line 7, that enactment of this act shall not be construed to determine or indicate the approval or disapproval by Congress of the organizational provisions of any foreign trade agreement entered into under this section. Similar provisions appeared in several prior extensions

of the trade-agreements program, but the word "organizational" is new. In other words, heretofore Congress has stated that it was neither approving nor disapproving the trade agreements. Now the statement is that the Congress is merely disclaiming approval or disapproval of the organizational provisions of the agreements. What does this mean?

Does it mean that the Congress is approving all of the substantive provisions of the agreements but is withholding its approval of only the organizational provisions? We take it that the organizational provisions are those relating to the methods of procedure under the agreement, specifically, in the case of the General Agreement on Tariffs and Trade, whether there should be established a permanent Secretariat and what should be its function. Also, how voting should be done in the organizations, and so forth.

On the other hand, there are several provisions of trade agreements of a distinctly substantive nature, some of which are in conflict with existing statutes of the United States. One of these is found in article VII, paragraph 2 (a) of GATT, stating that the value for customs purposes should not be based on the value of merchandise of national origin. This is directly in conflict with the provisions of section 402 of our Tariff Act, which require that in certain instances the dutiable value shall be the American selling price of domestic goods. If the Congress is only reserving judgment of the organizational provisions, does this mean that the Congress is approving the substantive provisions? Especially those which are in conflict with existing enactments of Congress? There are, no doubt, other provisions of like nature which should be cited, but we believe this to be enough to pose the question for your committee. Do you want to give an approval to all of the provisions of trade agreements except those that relate to organization? We believe that before approving these provisions, the Congress should clearly have in mind all the details that are involved and should make an independent judgment of whether existing statutes should be superseded by the international agreement. We submit that the word "organizational" on page 3, line 10, should be deleted.

Third, we draw to the attention of this committee that one of the chief items of discussion before the representatives of countries considering changes in the General Agreements on Tariffs and Trade at Geneva is a report upon studies made of the great amount of foreign funds being invested in the United States capital market. Commenting upon these studies, the New York Times of January 2, 1955, states in part:

The studies emphasized, for one thing, that the very countries that assert the duty of the United States to help them with capital investments have been pouring hundreds of millions of dollars a year of their own investment funds into the politically secure United States capital market.

The studies also throw considerable doubt on the thesis that lowering the American tariff is essential to the establishment of better balance in world trade.

The above information is a true example of how the claim that we must buy imports so that foreign countries can buy from us, is being used against the American taxpayer as well as to cause unemployment of American wage earners.

Gentlemen, certainly the industry for which I speak has no funds with which to purchase stocks of other companies, nor to invest in foreign ventures. We might, in a modest way, have been able to do so if we had not been busy paying large portions of our income in taxes to our Government to give to other countries, one result of which, as above stated, is that they take a part of this money and buy interests in American industry. Isn't this ridiculous—does it not amount to American industry giving away shares in itself to foreign nations, while selling like shares to Americans!

We do not hereby belittle the efficacy of the Marshall plan. However, the Marshall plan was projected as an action limited in time. If the results of the plan have been so fruitful that foreign industry can own portions of American industry to the amount of hundreds of millions of dollars a year then we respectfully submit that a further lowering of tariffs is absolutely unessential and absolutely to the disinterest of the American taxpayer and wage earner. As stated before, we do not seek prohibitive tariffs now or at any time; we do believe that tariffs should be equitable.

We wish to advise that we have prepared and have with us a small exhibit illustrating the differences in our selling prices in this country of domestic locks and those of imported locks. We would appreciate it if the committee will permit Mr. Len Harris of the Presto Lock Co. to explain this exhibit.

We thank the committee for this opportunity to present our views on the pending bill, H. R. 1.

Senator FREAR. I am sure we will be glad to have Mr. Harris present this exhibit. However, before that, do you have any questions, Senator Carlson?

Senator CARLSON. Not at this time, Mr. Chairman.

Senator FREAR. Proceed, sir.

Mr. HARRIS. These boards have been broken down into general categories of luggage locks. We have these all labeled, as you can see.

This is a zipper bag lock coming in from England for \$8. This one, domestically made, is \$13.50. The same here. As you can see on these boards, these are a comparison of foreign locks, primarily German and English coming into the country with the prices that they are selling for here and you can see what they are.

These boards contain our own domestic locks.

Now, for the 7 manufacturers of this association, 1 board shows trunk locks, zipper bag locks and small bag locks.

Would you like to take a look at that?

Senator FREAR. What is the difference in quality between the imported locks and the domestic locks?

Mr. HARRIS. In the same price ranges, same locks, there is not too much of a difference in quality.

Mr. COLEMAN. Not too much.

Senator FREAR. What makes the difference in the cost of the two?

Mr. HARRIS. Primarily the labor factor overseas.

Senator FREAR. Senator Malone, this is the first witness since lunch and Mr. Coleman has just completed his testimony, a copy of which is before you, I think, and Mr. Harris is now presenting the practical information.

Mr. HARRIS. This board will show you the German locks that are coming in at \$12.50 and \$13.75. It shows you American locks that compare with it at \$25 and \$28.50.

This is what the domestic lock in a comparatively same price bracket looks like. This is for \$13.50 made in America against a \$13.75 item from overseas. You can see the German lock is a polished lock. The American lock is a tumbled lock. The labor factor again is the reason.

Mr. COLEMAN. Is it an inferior lock, as you see it, Senator Frear.

Senator FREAR. May I ask a question? Your industry manufactures these locks and sells them to the luggage industry?

Mr. COLEMAN. Yes, sir.

Senator FREAR. Is this the price that the luggage industry has to pay you for them?

Mr. COLEMAN. Yes, sir.

Mr. HARRIS. This will show the mainstay of the luggage lock industry. This is where the volume is done. This is the so-called popular price range.

You see the English lock goes for \$13.50. Over here, \$11.40 as compared to the \$18; \$18, \$12.60 and \$18—all of which are domestic.

Mr. COLEMAN. In that connection, Senator Frear, we have as part of our brief a letter from one of the larger manufacturers, Conn, dwelling on the difference in these locks in detail saying why he had to cancel an order he was ready to place with one of the firms in order to buy the German lock which gave him a better quality for that price. That is part of this brief here, sir.

Mr. HARRIS. This will show you the briefcase locks. As you can see, this is \$12.50 and \$10.50 from England and Germany as against \$16.50 and \$30 and \$16.50 for the domestic lock.

This board will probably illustrate more clearly the German uses a prepolished material. In this case, he is able to produce it at \$12.50. We also use prepolished material and the best we can do is \$16.50. However, they use a brass clad material which is a laminated layer of brass on steel. After they have assembled the lock, they polish it. They can produce that at \$10.50 in Germany. We do not have anything like that. We cannot buy that material unless we go overseas for it and if we do, the price is prohibitive.

The closest we can show is this American lock at \$30 which is made of steel, which has to be buffed and plated and lacquered. And the labor factor in this \$30 lock starting with the basic material is much cheaper than the brass clad material and ends up almost three times the cost.

Senator CARLSON. On my last flight in, I had my lock badly damaged. I wonder if I could get one of these.

Mr. HARRIS. I am sure it wasn't a Presto.

We would like to introduce these as part of the permanent record. Senator FREAR. That is admissible.

I think the explanation can be pretty well detailed and arranged.

Senator MALONE. I looked over your statement. It seems to be a very reasonable request. What is the difference in the wages? I presume you covered it before you arrived. You noted the difference in the price of the locks on the board. It seemed to be a difference of about 30 to 40 or 50 percent. What is the difference in the wages between

here and Germany and between this Nation and England and other competitive nations in this particular business?

Mr. COLEMAN. Would you accept answers which are not exactly accurate—in other words, estimates?

Senator MALONE. Just a good summation.

Mr. COLEMAN. Let me preface that answer with this statement. That this organization is only recently formed and as an organization we have no final figures of any sort as yet. We are in the midst of preparing those.

To get to your question, Senator Malone, to the best of our understanding, the difference between wage ranges of the most highly skilled members of the industry in this country and in Germany, would run about \$2 to \$3 an hour in this country for tool and die makers. We are given to understand that in Germany they can be had for as low as 58 cents an hour.

I cannot verify that, sir, but that, as I say, as is shown here in this brief, is according to a recent issue of Life magazine which made a survey on the subject of German automobiles.

Senator MALONE. It seems to us who are familiar with it—you understand that the State Department has done most of the work for the past 21 years had a perfect right under the present law to consider many factors besides wages in costs of production in this country and in the chief competitive country. You know that, do you not?

Mr. COLEMAN. I have been given to understand that, sir. That is the practice.

Senator MALONE. The law is specific. Have you read the Trade Agreements Act, the 1934 Trade Agreements Act as amended?

Mr. COLEMAN. I have just read H. R. 1.

Senator MALONE. It only amends and extends the present law. So the present law prevails wherever it is not extended even if we extend it on this basis.

Without going into detail, without waiting for the information to be absolutely correct, instead of doing this job on the basis of fair and reasonable competition, when that specifically in the 1930 Tariff Act said that the Tariff Commission must determine the difference in cost here and in the chief competitive nation and recommend that to be the tariff.

But when this other law came along in 1934 and transferred the constitutional authority or responsibility of Congress to the Executive, it included many other factors like the good of the overall economy and the relationship between industries in this country, like agriculture, and your industry, we will say. And that political situation in Europe as to whether it would help our overall position by allowing increased imports in certain industry. Then these other factors all are considered. They no doubt think that it was necessary to reduce it 45 percent or 22½ percent. And you think that is harmful to your industry?

Mr. COLEMAN. I do think so, sir.

Senator MALONE. Even the way it is now?

Mr. COLEMAN. The specific tariff rate is harmful, absolutely. That is one of the points brought out here in the testimony.

Senator MALONE. If it is further reduced, you think it would be fatal; is that right?

Mr. COLEMAN. I would say that if it is further reduced, it very well would be fatal; yes, sir. You see, we are specialists. We are a small industry, as well.

Senator MALONE. Has your industry, your employment, been reduced as a result of these changes in the duties?

Mr. COLEMAN. Senator, I must refer back to the opening remarks in which I say as an industry we have not yet been able to arrive at any statistics. We have just recently formed.

You see, we have been very competitive for so many years we have been driven to this association at long last for mutual protection.

Senator MALONE. How many different companies are members of your association, sir?

Mr. COLEMAN. Seven, sir.

Senator MALONE. What is the employment, sir?

Mr. COLEMAN. I do not know that either, sir, except in approximate round figures which might be 900 to 1,000 people but I don't want to make that as a definite statement.

Senator MALONE. That is all right, an estimate. It is one of the small industries that serves the people of the United States.

Mr. COLEMAN. Yes, sir.

Senator MALONE. And on that basis you think you ought to be able to survive?

Mr. COLEMAN. We definitely think so.

Senator MALONE. Are you familiar with the provisions of the 1930 Tariff Act to which the regulation, the fixing of duties and tariffs would revert to the Tariff Commission, under which it would revert to the Tariff Commission if we did not extend this act?

Mr. COLEMAN. I am not familiar with it, no, sir.

Senator MALONE. Roughly, it simply provides, section 336 does, that the Tariff Commission upon its own motion or request of pretty near anybody may take up the matter of the adjustment of a tariff on any product and determine that difference in cost, reasonable cost in this Nation, and in the chief competitive country, and recommend that difference as the tariff. Would that principle be satisfactory to you?

Mr. COLEMAN. As a principle, I would judge so; yes, sir. It would make it more equitable, if I may say that.

Senator MALONE. You could survive under something that gave a difference in wage standard, living standards, taxes, and various costs of doing business here, the difference in this Nation, and in the chief competitive country, if that was represented by duty at all times, raised or lowered to represent that difference, you could go ahead and do business?

Mr. COLEMAN. I think so; yes, sir.

Senator MALONE. But under this system where any factor can be considered, the good of the whole country or the relationship between industries or the political relationship of our Nation with foreign nations, you think are in danger?

Mr. COLEMAN. Yes, sir.

Senator MALONE. If I understand you correctly, what you would like to do is to see this act expire on June 12 and revert to the Tariff Commission on that basis?

Mr. COLEMAN. Senator, I do not know that our judgment would be so broad as to move in that sphere. I do not think that we in the industry could speak for the country as a whole for two reasons—

Senator MALONE. I am not asking you about the country. You come here representing an industry.

Mr. COLEMAN. That is right.

Senator MALONE. What about your industry?

Mr. COLEMAN. I am not dodging your question, Senator; I am trying to answer it fairly, sir.

Also, I am not familiar with your 1930 law in detail, but I would say, sir, that—

Senator MALONE. I will read it to you. I hate to have to read it every time because it does seem to me that people who represent industry should at least be student enough of the subject so that they know what they are talking about, and I say this in all kindness.

Mr. COLEMAN. I agree with you that we are deficient in that respect.

Senator MALONE. This is what the 1930 Tariff Act says with reference to change of classification of duties in order to put into force and effect the policy of the Congress.

(Senator Malone read the passage referred to and previously appearing in this record.)

Senator MALONE. Now, that is about what you would want, is it not?

Mr. COLEMAN. On a technical matter like this we have employed counsel and—

Senator MALONE. Where is your counsel?

Mr. COLEMAN. Mr. Martin is counsel.

Mr. MARTIN. I am Edwin Martin. I am counsel for this association.

Senator, I think there is no doubt the industry would prefer to have the tariff governed by the provisions of section 336 of the Tariff Act rather than by the Trade Agreements Act; but the industry does not believe that June 12, 1955, would make any difference in that connection.

The reason is that even if this pending bill is not passed by the Congress, there will be no more products, including luggage locks, under the purview of section 336 of the Tariff Act than there are now.

Senator MALONE. Why do you say that?

Mr. MARTIN. Because the only temporary feature of the Trade Agreements Act as now on the books is the authority to enter into trade agreements. It is true the law says that the agreements must be subject to termination at the end of not more than 3 years from their effective date, but the law contemplates and permits that the agreements may continue in effect indefinitely and in fact we have in effect now agreements that have been in effect for 15 years.

Senator MALONE. How are they terminated, if you know?

Mr. MARTIN. They may be terminated by notice of either of the contracting parties of an intention to terminate and the agreements provide a period of notice in them on which that notice may be given.

Ordinarily, it is 6 months after the 3-year period has elapsed.

Senator MALONE. Six months after the notice is given the country—

Mr. MARTIN. Ordinarily, some of them have a different period. That is the usual one.

Senator MALONE. Whatever it is, if the President of the United States served notice on any country with which some agreement has been made, say your locks, for example, within 6 months, then it reverts to the Tariff Commission in just the same manner as if there had never been a trade agreement; does it not?

Mr. MARTIN. If the President should give such notice, yes, sir; it happens that a 60-day notice under GATT would be adequate for that purpose.

Senator MALONE. On the locks.

Mr. MARTIN. Locks are now covered by the General Agreement on Tariffs and Trade, yes, sir, and 60 days is the period in which we could get out from the agreement if the President wanted to do it. But the point I want to make is that the passage of June 12, with or without the enactment of H. R. 1, has no effect on that decision of the President.

Senator MALONE. That is about the first thing preparatory to a notice, sir.

Mr. MARTIN. What is that, sir?

Senator MALONE. If we do extend it, then further trade agreements can be made regardless of any notice? In other words, the notice could be given now even with the—even if we do extend it? If we extend it, you still are under the General Agreements on Trades and Tariffs organization and you are still under the gun of the State Department; are you not?

Mr. MARTIN. The point is that you are under that gun whether you pass this H. R. 1 or not. The only way to get out from that gun is to pass a law repealing the Trade Agreements Act.

Senator MALONE. You would not be out from under it then.

Mr. MARTIN. If—

Senator MALONE. You are a lawyer. I do not want to take issue with you because you should know. And I want you to listen to this just once.

If you pass a law right now repealing the act, the President would still have to serve notice on the country or a cancellation of that agreement; would he not?

Mr. MARTIN. Unless the country were to violate the agreement. That is so, Senator. We have had laws of Congress that acts of Congress that went into effect, including tariff provisions, which did violate existing treaties and agreements. They are rare, but it is constitutionally possible, is all I am saying.

Senator MALONE. We have not gotten into that realm. What I was asking you and what I am trying to get from the witness and he deferred to you is whether or not you would like to go back to that section 336. His answer was, "yes," and if it was and then if he understood that, if we did not extend this act, all tariffs, articles upon which there is no trade agreement revert immediately to the Tariff Commission and the ones on which there are trade agreements revert, if and when the President of the United States served notice or within 6 months or whatever period it is.

Mr. MARTIN. Senator, I think we have tried to make clear that we would prefer to be under section 336.

Senator MALONE. That is all I asked you; thank you.

You do understand, then, if I understand you properly, that the President can at any time he cares to cancel such an agreement by notice to the country with which such agreement is made.

Mr. MARTIN. Under the present law that is right, Senator.

Senator MALONE. If there were no law extended it would still be that way.

Mr. MARTIN. If there is no new authority to enter agreements, that's right, sir, it would be unchanged.

Senator MALONE. Thank you.

If I then understand you properly, and I am sure that I do, you would prefer that this act not be extended and then that the President should serve notice in due time that the trade agreements that are made with whatever nation it was made, what nation was it made with—

Mr. MARTIN. The general agreement, sir.

Senator MALONE. I am talking now about what nation did we make the agreements with.

Mr. MARTIN. We had made it with about 20 of them. I think the lock concession was initially negotiated with the United Kingdom but under the agreements all the countries have a legal right in the concession.

Senator MALONE. We have the most-favored-nation concession or clause—everybody knows that. That is true; is it not?

Mr. MARTIN. That is all right.

Senator MALONE. Now, let me ask your client here if what you would prefer would be the expiration of this act under June 12, 1955, and then the cancellation of this agreement through Presidential order. Is that what you would like to see, and go back to the 1930 Tariff Act under section 336 where it is set down the principle under which they can fix the duty from time to time on a fair and reasonable competition and give the difference in cost of production between this Nation and the chief competing nations?

Mr. COLEMAN. So far as this particular industry is concerned, I am sure that would be favorable to us.

Senator MALONE. I am not asking about any other industry and you did not come to testify about any other industry.

Mr. COLEMAN. I was being explicit, sir.

Senator MALONE. That is very good.

You would not know anything about the steel business, would you?

Mr. COLEMAN. Very little. We buy a good deal of steel.

Senator MALONE. I would advise you, however, to read these two acts if you are going to testify before committees about them. It would be very helpful.

Now, you understand, further, I am sure you do, or at least your attorney will, that if we do not extend this act, there is no further authority for the General Agreement on Tariff and Trades at Geneva or the assembly resolution of the United Nations creating another trade or world trade organization or the State Department organizing something like International Materials Conference, that they did organize and proceed to distribute the markets of this nation throughout the world; that all of these trick organizations fall of their own weight. They are no longer effective if we go back to the Tariff Commission and the Tariff Act of 1930.

Mr. COLEMAN. That is my understanding, sir.

Senator MALONE. That is what you want, is it not, in your own business?

Mr. COLEMAN. In our industry it would be very favorable to us.

Senator MALONE. I will understand that you are not taking in any other industry; you can be very free in your answers as far as that is concerned.

Do you find yourself handicapped in securing new capital to go into a business of this kind under the present situation?

Mr. COLEMAN. If someone wanted to do so, I think it would be difficult under the circumstances, Senator. As a matter of fact, there have been since 1950 three people who manufactured luggage locks who have ceased making luggage locks through American competition, competition between American domestic producers. That is how keen the competition is in our own industry.

Senator MALONE. Since what date?

Mr. COLEMAN. Since 1950. That is an approximation.

Senator MALONE. These imports have been coming in during that time and since that time?

Mr. COLEMAN. Yes, sir.

Senator MALONE. Is it altogether from competition here or would the imports have something to do with it, sir?

Mr. COLEMAN. I cannot state that accurately.

Senator MALONE. Three have gone out of business.

Mr. COLEMAN. That is right, sir.

Senator MALONE. We do not object to competition that pays approximately the same wages and taxes if someone can put us out of business we are just out, are we not?

Mr. COLEMAN. That is right.

Senator MALONE. I was in the engineering business and we never kicked about losing a job if we lost it to somebody paying the same wages and same taxes.

Mr. COLEMAN. Yes, sir.

Senator MALONE. That is all, Mr. Chairman.

Senator BENNETT. Thank you, Mr. Coleman.

The next witness is Mr. Gwilym A. Price, president, Westinghouse Electric Corp., Pittsburgh, Pa.

STATEMENT OF GWILYM A. PRICE, PRESIDENT, WESTINGHOUSE ELECTRIC CORP., PITTSBURGH, PA., ACCOMPANIED BY E. V. HUGGINS, VICE PRESIDENT

Mr. PRICE. Mr. Chairman and gentlemen of the committee, I have with me Mr. E. V. Huggins, vice president of the corporation. Mr. Huggins has been living pretty close to this problem for 2 or 3 years. I doubted whether it would be necessary to have him here with me but after listening to the questions here today, I realize that he is much more familiar with all these details than I am and I am very happy to have him here.

My name is Gwilym A. Price. I am president of the Westinghouse Electric Corp. I have been chosen to speak on behalf of 51 companies in the electrical manufacturing industry. These companies range from very large to very small producers, manufacturing a wide

variety of products. I wish to file a copy of their recommendations with my statement.

I should like to thank you for the privilege of appearing before this committee. May I add, gentlemen, that yours is a most difficult and demanding task. None of us envies you in this performance of your public duty.

In speaking on January 27 before the House Ways and Means Committee, I made certain points on behalf of my own company. Mr. A. F. Metz also testified on behalf of a number of companies. Additional information and recommendations were submitted by the manufacturers of communications equipment, who have also submitted a statement to your chairman. I am now authorized to confirm the comments and recommendations for all of the companies involved. I will not duplicate the testimony and evidence before the House committee, but I will enumerate the points which were made. Summarized very briefly, those points are:

First, the United States electrical manufacturing industry is in a far worse competitive position today in world markets than it was before the war. The relative difference in wages between United States and foreign workers in the industry has increased. As a result, foreign producers of heavy electrical power equipment, for example, can undersell us in world markets by up to 30 to 40 percent.

Second, United States tariffs on electrical and communications equipment and machinery, having been cut to a range of 8¾ percent to 17½ percent, are now completely inadequate to protect us and our workers against foreign competition in our own country.

Third, so far as my own industry is concerned, there has been no trade liberalization abroad for the substantial tariff concessions we have made under the Reciprocal Trade Agreements Act. In fact, so far as I have been able to learn, no significant concessions have been made by any countries which result in greater exports from the United States. It is harder today to sell American-made electrical equipment in foreign countries that manufacture such equipment than it was either in the 1930's or just after the war. For instance, it is not possible to sell United States electrical power and communications equipment in Germany, England, or Switzerland, which are the largest foreign manufacturers of such equipment.

Fourth, foreign equipment does not have the capacity or reliability of that furnished by United States manufacturers. Our power supply and communications could face serious emergencies arising from substantial delays and expense in overhauling and replacement of foreign-built equipment.

Fifth, our electrical and communications systems and equipment, by any standards we care to use, is the keystone of our ability to prepare for any war emergency and to survive that emergency. Yet the procurement policies of the Federal agencies are based almost entirely on price and do not take these defense factors into first consideration.

That summarizes our position as expressed on January 27. This committee has requested that new material be offered. With your permission, I should like to do that in offering you specific and concrete evidence on only one of the points I have made—the fact that installation of foreign-built equipment entails a national risk of the first magnitude.

The statement that foreign-built power equipment is not of a quality equivalent to that of equipment built in United States plants is not the conclusion alone of United States manufacturers. It is, rather, the considered opinion of experts familiar with power equipment around the world. I refer to Stone & Webster, one of the world's largest engineering and construction firms. In a 1953 study which this company made on the effects of buying electrical power equipment abroad, these statements are made :

It is the generally accepted opinion of engineers in the United States that foreign-manufactured equipment does not have the capacity or reliability of equipment furnished by United States manufacturers.

The experience with equipment and service provided by foreign manufacturers, particularly at times of stress such as war, indicates that they cannot be depended upon to deliver essential equipment as needed ; nor to service that equipment after it is installed.

In testimony of the electrical manufacturing industry on this point in past years, we have always said that failure of foreign-built equipment could happen and was likely to happen. Now we will give you specific examples of such failures that have actually occurred.

1. In Canada, 3 large water-wheel generators were put into operation in 1 installation. Two units were Canadian built with design and technical assistance from United States manufacturers. The other unit was designed and built in Europe. All these machines were built to meet the same specifications. The European unit failed last year shortly after it was put into operation. The failure was apparently due to design deficiencies and serious damage was caused. Twenty-three essential parts had to be replaced, with other major parts being repaired in the field by personnel from Europe. The replaced parts were sufficiently small in size so that they could be flown in from Europe, but they could not be produced by the manufacturer's subsidiary in Canada. The unit was out of service 6 weeks. The two machines built in Canada with the benefit of United States design and technical assistance have shown no design deficiencies or failures. Each has been shut down, 1 for 1 week and 1 for 3, due to not unusual initial operating problems.

2. On April 1, 1954, a 100,000 kilowatt unit of the Hearn generating station in Toronto, the largest installation in Canada, exploded, destroying the generator and setting off a serious oil fire. Four days later a second unit similarly exploded. The third unit was down for frequency conversion and so was not in operation. The fourth and final unit was removed from service to avoid the possibility that it would be similarly damaged. The major moving parts of the equipment had to be returned to the manufacturer in England. No one in Canada could repair or replace them. The damaged units are still not back in service, almost a year later.

The resulting large power deficit has been supplied by utility companies in Detroit and Niagara Falls, using in part generators manufactured and installed by American companies nearly 60 years ago.

No official figures have been released, but the amount of the loss is readily estimated at \$10 million. That is about equal to the total original cost of the four generators.

3. The United States Government recently acquired ten 5,000-horsepower electric motors of foreign design and manufacture. They were installed for use in a vital Government-owned defense installation. Be-

cause of poor design and engineering features, one of the motors failed. As a result, and as a precautionary measure, all the remaining motors were shipped to the plant of a domestic manufacturer for retreatment and testing. Fortunately, this work could be done without substantial rebuilding and replacement of parts. After the unavoidable delay of some months that this entailed, the motors are back in operation at an increase in efficiency.

4. A cooperative in the southeastern section of the United States bought two 6,500-horsepower turbine generators from a Swiss manufacturer. Delivery was made on time and erection proceeded normally under the direction of an experienced engineer provided by the manufacturer. The first unit was placed in service on December 6, 1954, and appeared to be in satisfactory operating condition. After 30 days of operation, certain parts failed. The unit is still out of service and startup time is unknown at present.

5. A publicly owned electric utility in the United States purchased two foreign-built generators of substantial size. The machines had to be rebalanced, but the foreign manufacturer was unable successfully to do this. An American company had to be retained by the utility to do the work. Thereafter the generators gave satisfactory service for a short period. One machine then developed vibration. The foreign manufacturer contended that the trouble was not in the machine and was unwilling or unable to pinpoint the source of the difficulty. The customer hired a firm of consultants to study the situation; they reported that the foundation was at fault. In similar circumstances, any American manufacturer would have assisted a customer in locating the difficulty and would have provided a speedy remedy.

There are many examples of similar experience with foreign-built power and communication equipment in Latin America, particularly during the last war, that might be cited.

What do these failures of foreign equipment prove? Briefly, they prove that right now—today—in 1955—

1. Foreign equipment is not built to the standards of quality of United States-manufactured equipment.

2. Foreign equipment does not meet the standards of performance required by the power systems in this country.

3. Foreign manufacturing companies do not have in this country or in Canada adequate facilities or staff to maintain, repair, and service large or complicated electrical equipment.

4. When foreign equipment fails, the operating utility must look to United States-built facilities to replace the lost power.

5. Differences in quality cannot be covered in the engineering specifications, because of the complexity of the equipment, the highly detailed engineering, and other factors common to the industry.

6. While a foreign manufacturer is able to make adequate equipment for use in his own or other foreign countries, he has not had experience in building equipment of sizes and complexities required by the heavy demands in this country but unknown in his own power and communications systems. The experience of United States manufacturers in this larger and more complicated equipment has been built up over the years. The solutions of the problems posed are complex, detailed, and refined. It is not simply a case of making the same thing bigger:

In fact, the United States Government is itself beginning to experience some of these problems. In the fall of 1953, a foreign manufacturer received an order for large generators at the McNary Dam from the Corps of Engineers—three times larger than any the foreign manufacturer had ever built. When an American manufacturer receives an order of this type, he has no difficulty meeting the United States engineering requirements of the job. The detailed engineering requirements, which can never be written into bid specifications, are based upon American standards with which the Government and the manufacturers are familiar.

In the case of the McNary Dam job, the wide difference between European and American practice has created major difficulties between the Corps of Engineers and the foreign manufacturer. The manufacturer has submitted such a minimum of information that it has been very difficult for the engineers properly to check the few drawings that have been received. The first items of parts, none of which are critical, required 62 days' ocean volage to arrive at the site of the dam and were not in good condition although usable.

The United States agencies which have to buy and operate electrical equipment prefer United States equipment. In the past, they have frequently been overruled on theoretical "Trade not aid" principles.

The statement was made before the Ways and Means Committee by a leading propagandist for H. R. 1 that foreign manufacturers have adequate service and replacement facilities in Canada. That statement, gentlemen, is totally wrong. Certain of the nine companies competing for United States power equipment orders maintain manufacturing facilities on this continent. These facilities are not, nor are they held out to be, adequate to handle major repairs or maintenance or to produce major replacement parts.

As the examples I have referred to show, they have not been used for this purpose. To our certain knowledge, no foreign manufacturer has in the Western Hemisphere a plant or staff adequate to handle maintenance or repair of major items of equipment.

Not only do foreign manufacturing companies not have maintenance facilities in the United States, but official records disclose quite clearly that maintenance in foreign countries is itself inadequate. The British Electricity Authority discloses that the "out" or "down" time of generating equipment, all British made, in Great Britain's electrical system is 13.2 percent of total hours of operation or nearly twice that in the United States. As stated in a recent publication of the British Electricity Authority, power facilities were inadequate on February 2, 1954, to meet industrial and domestic consumer demands because—

over 10 percent of the total generating capacity was out of commission because of breakdown, overhaul and repair work, and other causes. This percentage is not, however, an abnormal figure; on the contrary it is less than average.

In fact, the situation on maintenance and repair in Great Britain has become so critical that Lord Citrine, chairman of the British Electricity Authority, has recently reported that, as a means of helping to effect speedier repairs, the British Electricity Authority is planning to establish its own central workshops and maintenance organization.

As to the situation in Western Europe, generally, the 1950 report of the Organization for European Economic Cooperation mission is significant.

Maintenance of power systems in Europe is often prolonged due to delays in the delivery of replacement parts. While similar delays do occur in the United States, they are not so usual nor do they last so long.

Quite obviously, if foreign manufacturers cannot maintain their equipment at home, where their factories are, they cannot maintain it in the United States, several thousand miles away.

The United States electrical manufacturing industry, on the other hand, is fully equipped to maintain and service its products throughout the country. For this, it maintains a field staff of more than 3,000 engineers and more than 5,000 other technicians and highly skilled workers. These are in addition to the industry's research, development, and design staffs. The geographical coverage is such that within a few hours practically every important generating station or manufacturing plant can be reached. Adequate personnel from all over the country can be concentrated at any trouble spot.

For example, recently in Philadelphia a 150,000-kilowatt generator furnished by a domestic manufacturer failed, and was damaged sufficiently to require replacement. The normal time for manufacturing a generator of this size is longer than 1 year. You have seen that the two foreign-built generators of the Toronto plant still have not been replaced almost a year after the explosions occurred. In Philadelphia, the domestic manufacturers actually replaced the generator in just 11 weeks—a tremendous undertaking.

In the case of natural disasters such as the Kansas City flood or hurricanes Carol and Hazel, the electrical manufacturing industry brings in its field staff from all over the country to replace fallen wires and repair damaged equipment. Thus the first prerequisites of rehabilitation—namely, communications and power—are promptly and effectively restored.

This could not be accomplished with foreign-built equipment in the communications and power systems, for the United States electrical manufacturing industry cannot provide comparable service for foreign-built equipment due to differences in standards. Much equipment is custom built; for example, power generators. No two machines, except those in the same station, are built alike. To make major repairs to foreign-built waterwheel generators, the domestic manufacturer would require about 2 years—as shown by World War II experience.

In the case of transformers, we estimate that a major repair schedule on a piece of foreign equipment would require two to three times as many man-hours of work as a similar repair on a United States-built transformer. If a standard replacement from our stock is compared to a special adaptation of that replacement for a foreign transformer, the ratio could rise to 10 times as many man-hours or more.

You may naturally ask the question why such countries, with a long tradition of fine craftsmanship behind them, are not producing equipment of a quality comparable to that of the United States manufacturers. The answer lies partly in the fact that the foreign manufacturers build exactly to the ordered capacity and allow very little

reserve capacity. They count on plentiful and inexpensive maintenance labor. They have not had to build to meet the load requirements of this country. They have not had the experience of United States companies in producing large and complex equipment.

The export of power equipment by foreign companies is not an un-mixed blessing for their own economies. For example, the British Electricity Authority, in its report for 1953-54 shows that the rate of installation of new equipment is not keeping up with the rate of obsolescence and demand. In fact, one of the leading officials of the authority, in 1953, reported—

Britain's use of industrial power needs to be about three times greater to reach the American standard * * * The situation is gravely serious, for in addition to our economic need for greatly expanded production, an efficiently equipped industry is essential to national preparedness and military defense.

This points up two astounding paradoxes. First, Britain is exporting electrical equipment that it badly needs at home, to the detriment of its production for export and for its national defense. Secondly, the British electrical manufacturing industry is operating at capacity. Ours is not. We have, in our industry alone, several thousand unemployed. I, for one, intend to fight for American orders to provide jobs for the American workers who are now unemployed. In the case of my own company, at our plant in East Pittsburgh, where much of this equipment is made, we have laid off employees with over 12 years' seniority. I cannot view that situation in a relaxed frame of mind. Theoretical arguments of "trade not aid," "we must import in order to export," and similar clichés do not provide jobs.

Heavy electrical-equipment plants built post-Korea under certificates from the Government that they were "necessary to the national defense" are partially idle and their staffs partially disbanded. The most recent published data of the Edison Electric Institute, as of October 1, 1954, shows an increasing amount of estimated open capacity in the industry over the next 3 years. A tabulation showing this is attached for your information.

It does not make sense to permit orders to go overseas, where they are suffering from a power shortage and the electrical equipment industry is strained to capacity, when the United States electrical-equipment industry has substantial idle capacity with employees out of work. It also does not make sense to put foreign-built equipment in our power and communication systems. No other producing country does.

Nor can it be claimed that the United States public is saving money as a result of lower priced imports. On every \$100 worth of goods sold, the governments in this country collect about \$26 in taxes from the manufacturer, its stockholders, suppliers, and employees. Foreign manufacturers and foreign employees pay no taxes in this country. Cost of maintenance and repairs will be increased very substantially. Our people must make up for that loss.

What is the remedy?

Average wages in this country in the electric-manufacturing industry are from 3 to 10 times those of its foreign competitors—a greater spread than ever existed prewar. This spread increases as aggressive union activity and Federal wage supports have their effect.

Prewar, a tariff of 35 percent assured employment and permitted the industry to build up with sound organization, sound engineering, and sound development to do the job it was called upon to do in World War II. Insofar as Federal purchases of heavy electrical equipment were concerned, there was an additional 25 percent differential provided by the Buy American Act. The result was that the American utility industry was able to provide power for our war industries without any major breakdown such as has occurred within the past 2 years in the case of foreign-built equipment.

The answer is obvious. Power equipment and communication equipment are an essential part of the security system of the United States. Without it, our defense mobilization base and our industries engaged in providing military end items would be unable to operate. Looking to the specific provisions of H. R. 1, an amendment should be written in to provide for increases in the tariff rates on electrical and communication equipment and other essential equipment and commodities. This should insure installation of electrical equipment which can be depended upon and the maintenance of organizations which can be depended upon in the event of an emergency. The free markets of the world in the nonmanufacturing countries provide a yardstick for such increases. In these markets, foreign manufacturers can and do undersell those in the United States by as much as 30 percent to 40 percent.

For essential security items, and power equipment and communication equipment are not the only ones to fall in this category, an embargo on the shipment of foreign power and communications equipment into the United States is not too much to ask in the interest of the country. The other manufacturing countries which are seeking to sell in this market impose just such an embargo.

(The table accompanying the statement is as follows:)

Scheduled and open capacity American heavy electrical equipment industry (as of Oct. 1, 1954)

Total capacity shipped and scheduled for shipment	1954	1955	1956	1957 and later
Steam turbine generators (in kilowatts).....	12,014,800	10,406,500	4,809,400	1,631,100
Estimated open capacity.....		675,000	5,100,000	14,100,000
Generators for hydraulic turbines (4,000 kilowatts and larger, in kilowatts).....	1,619,100	1,401,900	430,700	35,000
Estimated open capacity.....		200,000	2,300,000	2,700,000
Steam generators (in 1,000 pounds steam per hour).....	102,074	54,122	10,073	2,250
Estimated open capacity.....		29,000	134,000	142,000
Hydraulic turbines (5,000 horsepower or larger, in horsepower).....	3,272,400	2,378,400	813,400	945,250
Estimated open capacity.....		1,100,000	3,200,000	3,700,000
Power transformers (501 kilovolt-ampere and larger, in kilovolt-ampere).....	63,669,000	24,403,000	4,584,000	25,000
Estimate open capacity.....	1,000,000	49,000,000	70,000,000	73,000,000

SOURCE: 16th Semiannual Electric Power Survey, Edison Electric Institute, October 1954, pp. 12-14.

In summary form, Mr. Chairman, I have been chosen to speak on behalf of 51 companies in the electrical manufacturing industry. These companies range from very large to very small producers manufacturing a wide variety of products. I am filing with the committee a printed copy of their recommendations.

(The recommendations referred to are as follows:)

RECOMMENDATIONS OF ELECTRICAL MANUFACTURERS ON FOREIGN TRADE POLICY

Presented by the manufacturers listed on pages 6, 7, 8, and 9 representing over \$3,330,000,000 in annual sales and having more than 235,000 employees

There exists considerable divergence of opinion on a proper foreign trade policy for the United States. A widespread lack of knowledge is evident as to the impact of free trade on specific industries which definitely indicates that each industry's products must be considered individually. We hope that our contribution will be considered constructive in speaking as members of the electrical manufacturing industry which is the "sine qua non" of all industries requiring either electric power or communication.

Limitations of the market

The United States does not have a limitless market and naturally many of its industries, including the undersigned, are extremely anxious that their markets (built up at their own expense and through hard work) be not thrown wide open to foreign competition, based upon substandard wage rates and modern equipment, at the risk of a declining economy, loss of jobs and a probable wave of bankruptcies.

Our foreign trade problems stem largely from the fact that we continue to develop industrial capacity at least equal to our ability to increase an already high domestic demand. There is no excess demand of substantial size. This domestic market is the result of a selling technique unequaled anywhere in the world. Naturally, such a market is looked upon as made to order, with practically no promotional cost, for any foreign industry since they have access to modern equipment, extremely low wage rates, currency manipulation, and a very well entrenched policy of subsidy in many forms.

Bad jobs for good ones?

The companies signing this brief make products which have a labor cost of 30 percent or more of total cost and foreign competition is based on rates from one-tenth to one-third of our labor cost. This differential cannot be made up by any labor saving machinery which has not been made available to foreign manufacturers nor can any management technique overcome both this hurdle and that of high taxes.

Certainly this great country will survive even if the majority, or a substantial minority of its citizens suffer economically from an import policy based upon incomplete information. The voters will change it, or most probably your committee will change it, but by that time the damage can be disastrous. We must insure that any policy does not eliminate more jobs than it creates or does not export good jobs in this country transformed into substandard jobs elsewhere.

Controlling the balance of trade

We know that we can be an importing country simply because we are that today. But we also know that our imports have been selective by reason of tariffs. We are, therefore, concerned with what products require a tariff and how much, and also with what volume of imports we can maintain our high level economy. If trade is to be kept in balance multilaterally and if we are to be as self-sufficient as is mandatory under present-day world conditions, we cannot afford to let trade balance either get out of hand or reduce our economic level. Further, we should not seriously jeopardize our tax bases at a time when Government expenditures and revenues are in a deficit balance.

Recommendations for long-range policy

It is, therefore, quite obvious that the enormity of the problem does not permit of final solution in any one session of Congress but rather that necessary policies be laid down for continuing legislative survey and action. It is respectfully recommended that:

(1) A careful analysis be made of those products which are absolutely necessary for defense, security, and welfare, and action be taken to protect them completely. Manufacturers of electrical power and communication equipment are in this category.

(2) Encourage the import of those items which are not in competition with existing industries in the United States and especially those which constitute a

necessary raw material for the manufacturer of our industrial and defense products.

To say that the United States maintains overall substantially high tariffs does not reflect the facts. World comparison shows us to be 8th from the lowest in a list of 43 countries. We have an average rate of 5.1 percent in a range from 1.6 percent to 46.3 percent. Certainly we are giving foreign industry plenty of opportunity to export into this country with such a low average tariff.

(3) After protecting essential industries, place equitable tariffs and quotas on items not necessary for defense but subject to substantial foreign competition of substandard elements of cost which cannot be offset by mass production technique. We certainly would not expect to maintain our own economy and at the same time provide anything like an unlimited market for English, German, Swiss, Japanese, and other foreign industries. The satellite countries, which were a large share of the market of those industries, cannot possibly be replaced by us. Therefore, any trade concessions which we make must be limited and such limitations must have proper relation to our multilateral trade balance. Certainly, no one can say how much of our markets would go to foreign manufacturers without a reasonable tariff. Any such statement is 100 percent guesswork. Our markets are lush compared with any other country and are bound to attract an increasing volume of uncontrolled imports.

(4) Make every effort to furnish our marketing and selling techniques to other countries which have too much productive capacity. All people want more and more products. This demand can only become activated by concentrated marketing, financing, and producing, in that order. The facilities for these functions which are used in the United States are many; such as competent advertising and marketing staffs, installment credit, higher incentive wages, opportunities for all employees, equity capital, machine tools, etc. Even in Europe, with more than 200 million people (who are aware of advanced standards of living), they have not commenced to realize the market potential. Certainly there is a great spread between their per capita consumption and ours. A very good index is the per capita use of electricity. The following schedule indicates those countries which need aggressive marketing techniques:

Country:	<i>Per capita kilowatt-hour consumption of electrical energy</i>
United States.....	2,984
Sweden.....	¹ 2,905
Switzerland.....	¹ 2,425
United Kingdom.....	1,048
France.....	939
Europe (exclusive of U. S. S. R. and satellite countries).....	923

¹ These countries lack fuel supplies and their consumption of electrical energy for purposes where others use gas, oil, and coal magnifies their general use of electrical energy.

The introduction of our marketing techniques can be accelerated by making it attractive for United States capital to invest in foreign industries.

(5) Inasmuch as expansion of total international trade seems to be the desirable goal, we must create the atmosphere in which such expanded trade can exist. Our own domestic trade area consists of 48 individual federated States with the same money standard, with no tariff barriers, and with directly comparable conditions of competition. How can we provide these same conditions in those areas which have lower per capita consumption than ours and/or which want to trade in our market? If increased international trade is only possible with the satisfactory basic elements of suitable money standards, equal competitive conditions, and the elimination of other trade barriers, anything we do in such emotional efforts as unlimited "trade not aid" will be expensive, temporary, and to no avail. We must, therefore, point our efforts toward duplicating in world trade the same commercial atmosphere that now exists between our own States.

(6) Provide the means by which necessary protection of industry can be had as we proceed to find the proper solutions toward ultimate expansion of international trade. Our Tariff Commission should be given what strength is necessary to carry on a policy which can aim for better international trade while protecting defense and welfare.

These recommendations are presented after reviewing many objective studies which we name below (copies of which have been submitted to your committee) and from which we quote in the attached appendix.

Minority Report of Randall Commission on Foreign Economic Policy

Stone & Webster Report—The United States Electrical Manufacturing Industry and Its Relation to the Security, Health, Safety, and Welfare of the Country, prepared for NEMA

Analysis of Legislation, Treaties, and Regulations Affecting the Ability of American Manufacturers to Compete with Foreign-Produced Goods, prepared for NEMA

National Industrial Conference Board Report—The United States and Its Foreign Trade Position, prepared for NEMA

American Tariff League Reports on Comparative Wages and Comparative Tariff Rates—Strength at Home

Study by Forstmann Woolen Company—Importance of Wool Manufacturing and Other Textiles in our National Economy

United States Council—International Chamber of Commerce—The Expansion of Trade

World Trade and the United States—Claudius Murchison for the American Cotton Manufacturers Institute.

The careful analyses and statistical data which have gone into these works make them necessary reference material for any discussion of this subject. Their factual integrity is inherent, of course, in their authorship which is greatly respected.

An area for immediate attention

There has been much debate by those who hope to achieve increased international trade in a hurry versus those who see immediate danger signals. The minority report of the Randall Commission plainly indicates the danger of hasty conclusions.

While mass-production industries and those in special fields such as publications, do not see any material foreign competition in their own field as yet, there are many industries which are feeling enough of the impact of such competition to really become anxious. They are the industries which need your attention.

The following companies in the electrical manufacturing industry have joined in presenting this statement in an effort to solicit your attention to the desirable protection of their markets. Because of the greater use of labor in their products as against mass-production items, every additional man that might be added in a mass-production industry because of increased foreign business, would probably cost two men in these electrical manufacturing companies who would no longer receive tariff protection. We are vitally concerned with jobs because jobs furnish the markets for both mass-produced items and all other products. We are also vitally concerned with the probable decline of continuing research which has had to be compatible with our remarkable growth.

Electrical manufacturing companies presenting this statement

The Acme Wire Co.....	Hamden, Conn., and New Haven, Conn.
Allis-Chalmers Manufacturing Co.....	Terre Haute, Ind., Boston, Mass., Norwood, Ohio, Pittsburgh, Pa., and West Allis, Wis.
Anaconda Wire & Cable Co.....	Orange, Calif., Sycamore, Ill., Anderson, Ind., Marion, Ind., Muskegon, Mich., Great Falls, Mont., and Hastings-on-Hudson, N. Y.
The Arrow-Hart & Hegeman Electric Co..	Hartford, Conn.
Century Electric Co.....	St. Louis, Mo.
S. H. Couch Co., Inc.....	Quincy, Mass.
Delta-Star Electric Division—H. K. Porter Co., Inc.	Chicago, Ill.
Duncan Electric Manufacturing Co.....	Lafayette, Ind.
The Electric Controller & Manufacturing Co.	Cleveland, Ohio
The Electric Products Co.....	Cleveland, Ohio
Electric Specialty Co.....	Stamford, Conn.
Elliott Co.....	Ampere, N. J., Jeanette, Pa., and Ridgeway, Pa.

Electrical manufacturing companies presenting this statement—Continued

Fairbanks Morse & Co.....	Stuttgart, Ark., Pomona, Calif., East Moline, Ill., Freeport, Ill., Kansas City, Kans., Three Rivers, Mich., St. Louis, Mo., St. Johnsbury, Vt., and Beloit, Wis.
The Falk Corp.....	Milwaukee, Wis.
The Formica Co.....	Cincinnati, Ohio
General Electric Co.—Laboratories department.	Various locations
General Electric Co. — High - voltage switchgear department.	Philadelphia, Pa.
General Electric Co. — Low voltage switchgear department.	Philadelphia, Pa.
General Electric Co. — Medium - voltage switchgear department.	Philadelphia, Pa.
General Electric Co. — Large motor and generator department.	San Jose, Calif., Fort Wayne, Ind., West Lynn, Mass., Schenectady, N. Y., and Erie, Pa.
General Electric Co. — Locke department.	Baltimore, Md., and Schenectady, N. Y.
General Electric Co. — Medium steam turbine generator and gear department.	Lynn, Mass.
General Electric Co. — Power transformer department.	Rome, Ga., and Pittsfield, Mass.
Hudson Wire Co.....	Winsted, Conn., Cassopolis, Mich., and Ossining, N. Y.
Kennecott Wire & Cable Co.....	Phillipsdale (Rumford 16), R. I.
Kirkwood Commutator Co.....	Cleveland, Ohio
Kuhlman Electric Co.....	Bay City, Mich., and Crystal Springs, Miss.
Kurz & Root Co.....	Los Angeles, Calif., and Appleton, Wis.
Landers, Frary & Clark.....	New Britain, Conn.
McGraw Electric Co. :	
Bersted Manufacturing Co. Division.	Boonville, Mo., Moberly, Mo., Fostoria, Ohio, and Oakville, Ontario, Canada
Bussmann Manufacturing Co. Division.	St. Louis, Mo.
Clark Division.....	Chicago, Ill.
Line Material Co. Division.....	Birmingham, Ala., North Kansas City, Mo., Olean, N. Y., Zanesville, Ohio, East Stroudsburg, Pa., Sherman, Tex., Kenova, W. Va., Barton, Wis., South Milwaukee, Wis., and Toronto, Ontario, Canada
Manning, Bowman & Co. Division..	Fostoria, Ohio, and Elgin, Ill.
Pennsylvania Transformer Co.....	Canonsburg, Pa.
Toastmaster Products Division (commercial).	Elgin, Ill.
Toastmaster Products Division (domestic).	Elgin, Ill.
Tropic-Aire, Inc.....	Fostoria, Ohio
Memco Engineering & Manufacturing Co..	Commack, Long Island, N. Y.
Mica Insulator Co.....	Schenectady, N. Y., and Rutland, Vt.
S. Morgan Smith Co.....	Philadelphia, Pa., and York, Pa.
Murray Manufacturing Corp.....	Brooklyn, N. Y.
National Electric Products Corp.....	Torrance, Calif., Linden, N. J., and Ambridge, Pa.
New England Mica Co.....	Waltham, Mass.
The Ohio Brass Co.....	Barberton, Ohio, and Mansfield, Ohio.
The Ohio Electric Manufacturing Co.....	Maple Heights, Ohio.
The Okonite Co.....	Passaic, N. J., Paterson, N. J., and Wilkes-Barre, Pa.
Pacific Electric Manufacturing Corp.....	San Francisco, Calif., Santa Clara, Calif., and Scranton, Pa.
Pass & Seymour, Inc.....	Solvay, N. Y.

Electrical manufacturing companies presenting this statement—Continued

Phelps-Dodge Copper Products Corp-----	Los Angeles, Calif., 1 mill; Fort Wayne, Ind., 2 mills; Bayway, N. J., 2 mills; Yonkers, N. Y., 3 mills.
Picker X-Ray Corp-----	Cleveland, Ohio.
Porcelain Products, Inc-----	Carey, Ohio, and Parkersburg, W. Va.
Proctor Electric Co-----	Arbutus, Baltimore County, Md., and Philadelphia, Pa.
The Reliance Electric & Engineering Co--	Ashtabula, Ohio, Cleveland, Ohio, Euclid, Ohio, Welland, Ontario, Canada.
Robbins & Myers, Inc-----	Springfield, Ohio, and Memphis, Tenn.
Rockbestos Products Corp-----	New Haven, Conn.
John A. Roeblings Sons Corp-----	Trenton, N. J.
Rome Cable Corp-----	Torrance, Calif., and Rome, N. Y.
Sangamo Electric Co-----	Springfield, Ill.
Smoot-Holman Co-----	Inglewood, Calif.
Stackpole Carbon Co-----	Kane, Pa., Johnsonburg, Pa., and St. Marys, Pa.
Steber Manufacturing Co-----	Broadview, Ill.
Syntron Co-----	Homer City, Indiana County, Pa., and Blairsville, Indiana County, Pa.
The R. Thomas & Sons Co-----	Lisbon, Ohio.
Wagner Electric Corp-----	Mount Vernon, Ill., and St. Louis, Mo.
Westinghouse Electric Corp-----	Bridgeport, Conn., Baltimore, Md., Boston, Mass., Buffalo, N. Y., Brooklyn, N. Y., Elmira, N. Y., New York, N. Y., Bloomfield, N. J., Newark, N. J., Jersey City, N. J., Cleveland, Ohio, Lima, Ohio, Mansfield, Ohio, Beaver, Pa., East Pittsburgh, Pa., Essington, Pa., Pittsburgh, Pa., Sharon, Pa., Sunbury, Pa., Trafford, Pa., and Hampton, S. C.

APPENDIX

Important quotations from available studies on foreign trade

GENERAL STATEMENTS

Commission on foreign economic policy—minority report January 1954

Page 1: "(1) The (majority) report was prepared too hastily, without adequate consideration of the views of our industries, farmers, and workers, all of whom would be adversely affected by its recommendations."

Page 2: "(2) The (majority) report does not meet the mandate of Congress because it fails properly to coordinate foreign economic policy with domestic economy and national security of the United States."

Analysis of legislation, treaties, and regulations affecting the ability of American manufacturers to compete with foreign-produced goods

Page 30: "American producers are subject to various statutes and regulations which, because of conditions they attach to the employment of labor, tend to increase production costs."

Pages 41-42: "Prior to the war, American industry to a considerable extent was protected from ruinous foreign competition by then existing legislation. The Buy American Act was an effective instrumentality for protection because the administratively adopted 25 percent cost differential really meant something. Since the policy of 'trade not aid' was not in existence, there was no pressure on agency heads to ignore the cost differential and base awards on public interest considerations. Moreover because of the absence of inflation the 25 percent differential could have been a fair measure of the differences between foreign and domestic costs. The impact of the Reciprocal Trade Agreements Act of 1934 was not severe. Trade agreements with competitive countries were not consummated until late in the thirties and their significance was soon eliminated by the outbreak of war in 1939.

"Now, of course, the situation has radically changed. We have seen how postwar trade agreements have substantially reduced the rates established by the Tariff Act of 1930 and prewar trade agreements and we have noted the manner in which the policy of 'trade not aid' is overriding the protection hitherto afforded by the Buy American Act.

"All this leads to the question of what legal procedures can affected industry now follow to protect itself. Unfortunately the answer must be that very little, if anything, can be done under existing conditions. Our study has shown that there can be little hope of success if one attempts to obtain relief by invoking the 'Escape clause' or 'Peril point' procedures of the Reciprocal Trade Agreements Act."

The United States and its foreign trade position

Page 2: "3. The rate of increase of imports of electrical equipment reflects the rehabilitation of foreign industry and its approach toward a surplus position.

"The rate of increase in imports has accelerated significantly in more recent years, as compared with a slowing down in the growth of exports."

Pages 3, 4, 5: "5. Foreign manufacturers of electrical products have very large labor cost advantages over United States competitors. These advantages are greater now than ever before.

"(a) In 1952 total monetary hourly wages and wage supplements (converted into United States dollars at official exchange rates) of the 9 nations covered by the survey ranged between only 10 percent of United States wages (and supplements) in Japan to 33.0 percent in Belgium and Sweden. In 1938, the range was from 7.3 percent in Japan to 46.6 in Germany.

"Wage supplements have now become a significant factor in any wage comparisons among nations. For example, in France and Italy such supplements exceed one-third of the cash wages of their workers.

"The wage ranges for 1938 and 1952 in the 9 countries were as follows:

	1952	1938
United States	100.0	100.0
Belgium.....	33.0	34.5
Sweden.....	33.0	44.1
France.....	30.9	43.3
United Kingdom.....	28.0	37.0
Switzerland.....	23.8	33.9
Germany.....	22.0	46.6
Netherlands.....	20.7	41.0
Italy.....	19.6	22.7
Japan.....	9.9	7.3

"The wage differentials between the United States and these nine countries have widened substantially in the postwar years. Only Japan, of the nine countries, has increased its wage rates relative to the United States since 1938. Germany, as shown by the above table, has moved from her prewar position of the highest wage country among the nine nations to the fourth lowest in 1952."

"(c) The legal workweek (before overtime payments become due) ranges between 44 and 48 hours in most European countries. Overtime payments are not generally more than 25 percent above regular wages."

"6. Foreign exporters almost universally enjoy the benefits of many and varied kinds of both domestic and export subsidies, as well as a rather wide variety of other types of aid from their government. United States industrial producers enjoy much less assistance of this sort."

The United States electrical manufacturing industry and its relation to the security, health, safety and welfare of the country

Page 1: "The economy of this country, its great productivity and high standard of living is dependent upon electric power and the proper equipment to use it. The extraordinary development of the United States economy has been made possible by the United States electric utility industry expanding its capacity and by the United States electrical manufacturing industry developing and producing the equipment for generating, transmitting, and distributing electric power and for using it effectively and economically.

"From 1946 through 1955, the electrical industry will have produced and put in service more electrical equipment than in the previous seventy-odd years of

its history. The generating capacity scheduled to be in place by 1955 will be more than double the 1946 capacity.

"The continuous and uninterrupted supply of adequate electric power is essential to the industrial, agricultural, and domestic economy and health of this country. Without such power the expansion of industry, the growth of agriculture and the improvement in the standard of living which have taken place would not have been possible.

"The great progress made in the United States in the use of electricity is due to the recognition of the great potential of this form of energy by users and producers of electrical equipment and their continuous cooperative effort to develop the equipment necessary to realize this potential.

"There is intense competition among United States manufacturers to develop new and better equipment. This continuous development is accomplished with the funds of private companies, without Government subsidy.

"Standards for equipment are established which maintain that high degree of reliability and high quality of electrical service accepted as commonplace in this country.

"Progress in establishing international standards has been slow as United States representatives, at meeting held for this purpose, have refused to lower United States standards and European representatives, seemingly content with their lower standards, have declined to raise their standards to our level."

Page 5: "It is significant that 19.8 percent of the scientists and engineers engaged in all manufacturing industries in this country in 1951 were working in the electrical manufacturing industry. Of the funds expended for research and development by all the manufacturing industries in 1951, 24.5 percent was spent in the electrical manufacturing industry. Part of this work is directly related to the defense effort. The personnel engaged in classified work for the Army, the Navy, or the Atomic Energy Commission must be cleared for this purpose.

"The funds expended for research and development in the electrical manufacturing industry amount to 3.6 percent of the sales dollar. The corresponding amount spent by all manufacturing industry is 0.71 percent. This means that the rate of expenditure for research and development in the electrical manufacturing industry is five times the rate for all industry."

The importance of wool manufacturing and other textiles in our national economy

This brochure of only 26 pages is a most concise exposition of the necessity for the protection of our fundamental industries and their millions of well-paid employees who comprise the greatest market in the world.

STATEMENT RE RECOMMENDATION NO. 1

The expansion of trade—United States Council of the International Chamber of Commerce, Inc.

Page 11: "If progressive tariff reduction threatened to eliminate or unduly diminish the volume of production of domestic industries which are strategically essential to the Nation, provision must be made for the maintenance of those industries and skills. We suggest that the initial responsibility for meeting this problem should rest with the National Security Council. It should be empowered to direct the Department of Defense to place orders to maintain those industries."

Page 13: "On strategic items the Department of Defense should be empowered to make domestic purchases for security reasons or to insure the maintenance of strategic industries and skills."

Commission on Foreign Economic Policy—Minority report January 1954

Page 19: "Recognizing that certain industries, particularly public service industries such as transportation, electricity and gas, and communication, are basic to the entire economy in both peace and war, any sound policy should consider the necessity of insuring that their operation is not dependent upon any foreign sources of supply of equipment or maintenance which cannot be depended upon in any emergency."

The United State electrical manufacturing industry and its relation to the security, health, safety, and welfare of the country

Page 7: "That United States built equipment generally is capable of operating above capacity was a significant factor in the outstanding performance of American industry during World War II. During the war when power demands

rose above the rated capacity of the electric utility industry, the utilities were able to operate equipment well above rated capacity. This practice has continued since the war and the ability of United States built equipment to tolerate such overloads is recognized in statistics on capability of the Edison Electric Institute."

Page 9: "The disaster service record of the United States electrical manufacturing industry. The electrical manufacturing industry of the United States has assumed important responsibilities in emergencies, such as the disasters caused by flood, fire, and explosion. Their engineers, technicians, highly skilled workmen, as well as their manufacturing plants, local repair shops, inventories of finished products and materials have been made available immediately for restoration to normal service of damaged electrical equipment and products. The pool of more than 8,000 experienced engineers, servicemen, technicians, and highly skilled workers is drawn upon to send to a stricken area on short notice. It is impossible to estimate the material and equipment which could be made available, including facilities which could be improvised from local resources, by the ingenuity of these workers. It is evident that foreign manufacturers could not render an equivalent service irrespective of their natural desire to restore to service equipment of their own manufacture and this necessarily would be left largely to the United States manufacturers, assisted by any advisory personnel, materials and parts which could be flown into the area from abroad or from depots in the United States. It is also evident that personnel, materials, and parts of foreign manufacturers in the United States are limited in amount and variety as compared with those of the United States manufacturers."

Page 11: "Experience with equipment of foreign manufacture, drawn from instances in which American electrical manufacturers were asked to service, replace, or rebuild such equipment, clearly indicates the hazards of purchasing essential equipment from foreign manufacturers."

Page 15: "The experience with equipment and service provided by foreign manufacturers of electrical equipment, particularly at times of stress such as war, indicates that they cannot be depended upon to deliver essential equipment as needed nor to service that equipment after it is installed. Because complete information, drawings, and specifications, for equipment furnished by foreign manufacturers are not available, and because of differences in basic design and manufacturing practices, it would be difficult for electrical manufacturers in the United States to repair or service such equipment.

"If very much essential electrical equipment is purchased from foreign manufacturers for installation in the United States some reduction in the rate of expansion and the rate of operation of American industry and of agriculture and civilian utilization of electric power can be expected."

STATEMENT RE RECOMMENDATION NO. 2

The American Tariff League—how low are United States tariffs?

Page 2: "Table I shows the United States as a low man on the tariff totem pole. The United States ratio is 5:1. It will be explained later why this ratio is slightly lower than would be the case if United States Government statistics were used as a basis. Above the United States are 35 countries with higher tariff levels than the United States, ranging from 5:6 up to 45:3. Below the United States are only seven countries.

"From this comparison we must conclude that the United States tariff level is lower than that of most countries today."

STATEMENT RE RECOMMENDATION NO. 3

The American Tariff League—what about the wage gap?

Page 2: "The importance of the wage gap in determining tariff policy was expressed by United States Secretary of Commerce Sinclair Weeks in an address before the National Foreign Trade Convention, November 16, 1953:

"What I do suggest is that in the process of determination, when we come to those products where there exists radical differences in domestic and foreign labor costs not offset by greater productivity and where the output of this product is important to a substantial segment of the American economy, then we be guided in our tariff determination to the end that an adequate recognition of the labor standards of our workers in that industry be made.

"Given this type of fair competition, I am entirely willing to place United States industry on its mettle as against any other industry anywhere in the world. Thereafter, let the man who makes the better mousetrap get the business."

Page 3:

TABLE I.—*The wage gap—Comparative average hourly earnings of industrial workers in the United States and selected foreign countries in United States dollars*

Country	Date	Hourly earnings	Wage gap
United States.....	October 1953.....	\$1.78	
Canada.....	September 1953.....	\$1.38	\$0.40
Sweden ¹	May 1953.....	.75	1.03
New Zealand ¹	March 1953.....	.69	1.09
Norway ¹	2d quarter 1953.....	.60	1.18
Switzerland.....	October 1952.....	.57	1.21
Argentina ¹	March 1953.....	.57	1.21
Belgium.....	3d quarter 1952.....	.48	1.30
United Kingdom.....	April 1953.....	.47	1.31
France.....	do.....	.46	1.32
Germany.....	May 1953.....	.44	1.34
Italy.....	July 1953.....	.37	1.41
Ireland.....	June 1953.....	.35	1.43
Japan.....	Year 1952.....	.19	1.59

¹ Adult male workers only.

Many, perhaps most, foreign countries today add to the wages of workers a substantial group of benefits that vary, in kind and amount, from country to country. They range up to 50 percent of the basic wage and are, in part, made immediately available to the workers, not earmarked for their ultimate possible benefit as with social security taxes in the United States.

Commission of foreign economic policy—minority report January 1954

Page 9: "It [majority report] fails to recognize the existence of the fundamental principles of international trade and the essential philosophy of tariff policy development which Congress has followed since 1792. Under these policies we have developed the most dynamic, the most productive, and the most balanced society of all history with the highest living standards for our people."

Page 17: "We have supplied the means for new plants, machinery, and know-how in our programs of foreign aid, but we did not contemplate by this action that our aid would be further extended to give away also the domestic markets of our own industries and workers to absorb this newly created foreign capacity."

STATEMENT RE RECOMMENDATION NO. 4

Commission on foreign economic policy—minority report January 1954

Pages 16-17: "What is needed, quite obviously, is not a redivision of existing markets. We must expand these markets and create new ones."

"Much has also been done, both privately and through our Government, by way of technical assistance—but this effort has been to increase production, not to expand consumption. Expanding consumption through improved marketing facilities and methods is what is now needed."

Page 19: "(7) Unquestionably, American investment abroad should be encouraged. Incentives by way of tax revision are now under consideration by the Joint Committee on Internal Revenue Taxation and this phase of the problem will, therefore, be considered by Congress."

World trade and the United States—By Claudius Murchison (Economic Advisor—The American Cotton Manufacturers Institute, Inc.)

Page 3: "Most currencies, with the exception of the dollar, are either valueless as international media of exchange, or so restricted as to have usefulness only in limited areas. Wide disparities have been created among national price levels. The bases of international free market operations have disappeared. Most movements of commodities or capital are tightly regulated. World trade is the prisoner of bureaucratic control."

Page 27: "World trade is entangled in a jungle of restrictions which not only impede the interchange of goods, but make virtually worthless most of the world's currencies as media of international exchange."

STATEMENT RE RECOMMENDATIONS NO. 5

Commission on foreign economic policy—minority report January 1954

Page 5: "During such a period it may be possible to regain multilateral convertibility of currencies on a gold standard basis, return to the traditional triangular trade which existed for decades before it was disrupted by wars, and to adjust the political and ideological differences which now prevail between the East and the West."

Page 6: "We ourselves propose that the United States could further stimulate foreign investments by exempting foreign governments from registration with the Securities and Exchange Commission of their securities offered to American investors, putting them on the same basis as our own States."

Pages 12-13: "As Mr. Bernard Baruch pointed out in his statement before the Commission:

"In all studies of this kind too much emphasis was placed on tariff reduction as if it held the solution to all international economic difficulties. One effect of this distorted emphasis is to give foreign countries an excuse for blaming their troubles on the United States, and by feeling sorry for themselves, to overlook what they must do on their own. * * *

"At present the lack of stable currencies is a far more serious obstacle to free trade than tariff barriers. These barriers take the form also of quotas and empire preferences. As long as currencies continue to be manipulated, all trade is made more difficult. What trade does take place, tends to be forced through government channels. If the energies and ingenuities of the multitude of individual traders all over the world are to be given a chance, as is so vital, the very first requirement is to have a free market and free currencies.

* * * * *

"Nothing stimulates trade more than the knowledge that currencies are indeed freely interchangeable. Nothing does more to block the flow of trade, apart from war, than the fact that a nation's currency lessens in value beyond its own borders.

"It may be argued that currencies cannot be stabilized and kept stable unless there is a far larger volume of trade. Under certain conditions this argument would have validity. One of the responsibilities of the Randall Commission, as I see it, is to ask itself whether the instability of currencies is really due to a shrinkage of trade or whether the causes lie in the unwillingness of governments to do what must be done, to live within their means; also, in the failure to make peace. If these and other questions are faced up to, the answers may be unpleasant, but no policy can succeed if it is based on an evasion of the facts. No doctor's recommendations are better than his diagnosis."

"This position of Mr. Baruch was vigorously supported by Mr. Per Jacobson, representative of the economic advisers to the Bank of International Settlements, when he appeared before this Commission in Paris.

"There he said:

"Convertibility means a free exchange market * * * a free exchange market means getting rid of exchange controls—the worst features of restraint on trade * * * now why do we have convertibility? You know the textbook reasons, that there is more world trade, more prosperity, and a raised standard of living and these reasons are very correct. * * * I also believe that in all European countries we shall never get the savings and confidence in the currencies really before we get convertibility. So we will never be able to stand on our own legs before we get a sound currency system * * *. It is my honest belief that the only way to stop aid (United States aid abroad) safely is to see that the countries apply monetary discipline, and I know of no other way to get them to do it than to have convertible currency * * * convertibility is for me one of the great defenses for a free economy."

Page 13: "Nowhere in the Commission's entire report is any reference made to the desirability of return to gold as a basis for regaining multilateral convertibility and trade, despite the fact that an international gold standard has been proven over the years to be the best method of attaining and maintaining convertibility."

STATEMENT RE RECOMMENDATION NO. 6

The American Tariff League, Inc.—Strength at Home

Page 7: "Since today's tariff system is sometimes powerless to prevent or remedy injury by rate adjustment alone, there should be recourse to quotas or other forms of administrative or legislative regulation in individual cases when necessary. These should be of an emergency character and should be applied only when tariff changes are inadequate:

Commission on Foreign Economic Policy—Minority Report January 1954

Page 18: "The fundamental principle guiding the review and the recommendations of the Tariff Commission should be that of equalizing, by tariffs, the overall differentials which exist between this country and other countries. Any such review would, of necessity, reflect the fact that in mass production industries, with high and efficient mechanized processes, tariffs can be low or non-existent. Such review would also reflect the fact that in industries manufacturing custom-built goods, with high labor content, tariffs, to insure continued research and development and to insure a sound economic and defense structure, may require higher rates. Any such tariff structure would have to be sufficiently flexible to provide formulas for administrative adjustment to compensate for foreign governmental subsidies and other discriminatory factors which would militate against United States producers in their own home markets.

"Obviously, in any review, protection should be eliminated or avoided for industries which are economically unsound and are not required for the economy and security of the country. Frivolous efforts by individuals or organizations to start new industries not essential to the economy, which can be more economically conducted elsewhere, should be discouraged."

Mr. PRICE. The recommendations contain a list of the companies I have referred to.

Senator MARTIN. The signatory companies are in the statement.

Mr. PRICE. Yes, sir.

I thank you for the privilege of appearing before this committee.

May I add, gentlemen, that yours is a most difficult and demanding task. None of us even advise you in this performance of your public duty.

This committee has requested that new material be offered. With that I will comply. But I wish to confirm the statements and recommendations offered by Mr. A. F. Metz representing 51 companies in the electrical industry, by the telephone equipment section of the National Electrical Manufacturers Association, and by myself, before the House Ways and Means Committee.

Senator MALONE. Do we have any part of that testimony that is not included in the statement included for the record submitted also for the record?

Mr. HUGGINS. It is not included in the statement submitted for the record. It is in the record of the House hearings. The statement submitted for the record includes a summary of the conclusions and recommendations made by the three witnesses referred to.

Senator MALONE. Mr. Chairman, the hearings in the Senate committee are going to be very widely read among industrialists. I presume the hearings from the other side of the Capitol would be read, also.

However, there are some that are dependent upon the Senate committee and I really believe that any part of the statement that is not included in the statement submitted to this committee to complete the record should be included.

Senator BENNETT. It is the understanding of the Chair that the Senate rules forbid the republication of material that has already

been printed as a public document; and to the extent that these documents, this material in the House hearings falls within that limitation, I think it is impossible for us to accept it for the record, but if there is any part of the statement made in the House that was not printed in the House hearings, it probably would qualify.

Senator MALONE. Well, Mr. Chairman, I will not press the point. I will not argue the point about the Senate document. I think as far as the Senate document is concerned, that is true. As far as evidence is concerned before a separate committee, if it is a part of the statement, I am pretty sure that there is no objection but I will not press the point, Mr. Chairman. It is just for the full information of not only this committee but the people that are watching this very closely all over the country.

Senator BENNETT. As the Senator knows, this is the printed copy of the House hearings in these two thick volumes. I am sure the material that we will develop will be almost as thick. So I think—

Senator MALONE. I have had a little trouble getting the number I would like to get of that House record, but I will not press the point.

Senator BENNETT. Mr. Price.

Mr. PRICE. With your permission, then, I should like to offer you specific and concrete evidence on only one point: The fact that purchase and installation of foreign-built equipment entails a national risk of the first magnitude. In testimony of the electrical manufacturing industry on this point, in past years, we have always said that failure of foreign-built equipment could happen and was likely to happen.

Now, we will give you specific examples or one specific example in my oral testimony of some such failures that have actually occurred.

On April 1, 1954, a 100,000-kilowatt unit of the Hearn generating station in Toronto, the largest installation in Canada, exploded, destroying the generator and setting off a serious oil fire. Four days later, a second unit similarly exploded. The third unit was down for frequency conversion and so was not in operation. The fourth and final unit was removed from service to avoid the possibility that it would be similarly damaged.

Senator MALONE. What kind of a unit was this? What make?

Mr. PRICE. This was a generator built in England, a turbine generator.

Senator BENNETT. To generate electric power.

Mr. PRICE. Generating electric power.

The major moving parts of the equipment had to be returned to the manufacturer in England. No one in Canada could repair or replace them. The damaged units are still not back in service, almost a year later.

The resulting large power deficit has been supplied by utility companies in Detroit and in Niagara Falls using in part generators manufactured and installed by American companies nearly 60 years ago. No official figures have been released but the amount of the loss is readily estimated at \$10 million. This is about equal to the total original cost of the four generators.

Senator MALONE. Were these relatively new generators?

Mr. PRICE. Yes, sir. They had been in operation merely a matter of months.

My complete statement submitted contains four other detailed examples of failure of foreign built equipment in the United States and in Canada.

There are many other instances of such failures in Latin America that could be cited.

What do these failures prove?

Briefly, they prove that right now, today, in 1955, first, foreign-built equipment is not built to the standards of quality of United States manufactured equipment.

Second, foreign equipment does not meet the standards of performance required by the power systems in this country.

Third, foreign manufacturing companies do not have in this country or in Canada adequate facilities or staff to maintain, repair, and service large or complicated electrical equipment.

Fourth, when foreign equipment fails, the operating utility must look to the United States built facilities to replace the lost power.

Fifth, differences in quality cannot be covered in the engineering specifications because of the complexity of the equipment, the highly detailed engineering and other factors common to the industry.

Senator MALONE. What do these units include, if you would name them?

Mr. PRICE. They were turbines and the accompanying generator. It was the generator which failed and exploded. You know there is a shaft, the rotor, and the blades and the general nature of the generator. While a foreign manufacturer is able to make adequate equipment for use in his own or other foreign countries, he has not had experience in building equipment of sizes and complexities required by the heavy demands in this country, but unknown in his power and communications systems.

The experience of United States manufacturers in this larger and more complicated equipment has been built up over the years. The solutions of the problem posed are complex, detailed, and refined.

It is not simply a case of making the same thing bigger. In fact, the United States Government is itself beginning to experience some of these problems. In the fall of 1953, a foreign manufacturer received an order for large generators at the McNary Dam for the Corps of Engineers three times larger than any the foreign manufacturer had ever built. The wide difference between European and American practice has created major difficulties between the Corps of Engineers and the foreign manufacturer.

The manufacturer has submitted such a minimum of information that it has been very difficult for the engineers properly to check the few drawings that have been received.

The first items of parts, none of which are critical, these parts being imbedded in the concrete, required 62 days ocean travel to arrive at the site of the dam and were not in good condition although usable.

The United States agencies which have to buy and operate electrical equipment prefer United States equipment. In the past, they have frequently been overruled on the theory of trade-not-aid principles.

Senator MALONE. About this trade-not-aid, the aid has not decreased very much. You just mean aid; don't you?

Mr. PRICE. But that is the slogan that I am referring to.

Senator MALONE. That was invented by, and I pinned it right on him right after he created it in 1951—unfortunately he was not here

when the London bankers created a reciprocal trade slogan for us to mouth.

Mr. PRICE. The statement was made before the Ways and Means Committee of the House by a leading protagonist for H. R. 1, that foreign manufacturers have adequate service and replacement facilities. That statement, gentlemen, is totally wrong. To our certain knowledge, no foreign manufacturer has in the Western Hemisphere a plant or staff adequate to handle maintenance or repair of major items of equipment.

Not only do foreign manufacturing companies not have maintenance facilities in the United States, but official records disclose quite clearly that maintenance in foreign countries is itself inadequate.

In fact, the situation on maintenance and repair in Great Britain has become so critical that Lord Citrine, chairman of the British Electric Authority, has recently reported that as a means of helping to effect speedier repairs the British Electricity Authority is planning to establish its own central workshops and maintenance organization.

Quite obviously, if foreign manufacturers cannot maintain their equipment at home where their factories are, they cannot maintain it in the United States several thousand miles away.

The United States electrical manufacturing industry, on the other hand, is fully equipped to maintain and service its products throughout the country. For this, it maintains a field staff of more than 3,000 engineers and more than 5,000 other technicians and highly skilled workers.

The United States electrical manufacturing industry cannot provide comparable service for foreign built equipment due to differences in standards.

You may naturally ask the question, why such countries with a long tradition of fine craftsmanship behind them are not producing power equipment of a quality comparable to that of the United States manufacturers.

The answer lies partly in the fact that the foreign manufacturers built exactly to the ordered capacity and allow very little reserve capacity. They count on plentiful and inexpensive maintenance labor. They have not had to build to meet the load requirements of this country. They have not had the experience of United States companies in producing large and complex equipment.

The export of power equipment by foreign companies is not an unmixed blessing for their own economies. For example, the British Electricity Authority in its report for 1953-54 shows that the rate of installation of new equipment is now keeping up with the rate of obsolescence and demand.

In fact, one of the leading officials of the authority in 1953 reported, and I am quoting now :

Britain's use of industrial power needs to be about three times greater to reach the American standard. The situation is gravely serious, for in addition to our economic need for greatly expanded production an efficiently equipped industry is essential to national preparedness and military defense.

This points up two astounding paradoxes. First, Britain is exporting electrical equipment that it badly needs at home to the detriment of its production for export and for its national defense.

Secondly, the British electrical manufacturing industry is operating at capacity. Ours is not.

We have in our industry alone several thousand unemployed. I, for one, intend to fight for American orders to provide jobs for American workers who are now unemployed.

In the case of my own company, at our plant in East Pittsburgh, Pa., where much of this equipment is made, we have laid off employees with over 12 years seniority. I cannot view that situation in a relaxed frame of mind. It does not make sense to permit orders to go overseas where they are suffering from a power shortage, and the electrical equipment industry is strained.

Senator MARTIN. How many have you been required to lay off at your East Pittsburgh plant?

Mr. PRICE. Senator Martin, at the height of our employment in 1953 we had 18,000 people employed. We have laid off 2,700 and quite a few of the remaining are on a 4-day week.

Senator MARTIN. You do not have any overtime?

Mr. PRICE. Very little of it except in a very few operations. It also does not make sense to put foreign-built equipment in our power and communications system. No other producing country does.

What is the remedy?

The answer is obvious. Power equipment and communication equipment are an essential part of the security system of the United States. Without it, our defense mobilization base and our industries engaged in providing military end items would be unable to operate.

Looking to the specific provisions of H. R. 1, an amendment should be written in to provide for increases in the tariff rates on electrical and communications equipment and other essential equipment and commodities. This should insure installation of electrical equipment which can be depended upon in the maintenance of organizations which can be depended upon in the event of an emergency.

The free markets of the world and the nonmanufacturing countries provide a yardstick for such increases. In these markets, foreign manufacturers can and do undersell those in the United States by as much as 30 to 40 percent.

For essential security items and power equipment and communication equipment are not the only ones to fall in this category. An embargo on the shipment of foreign power and communications equipment into the United States is not too much to ask in the interest of this country.

The other manufacturing countries which are seeking to sell in this market impose just such an embargo.

Senator MARTIN. Mr. Chairman, might I ask a question?

Senator BENNETT. The Senator from Pennsylvania.

Senator MARTIN. Mr. Price, some time ago I received a report of the—last October—of the Advisory Council on the subject of foreign trade. Are you a member of that organization?

Mr. PRICE. I am a member of the Business Advisory Council to the Department of Commerce.

Senator MARTIN. Can you explain to us what that really is?

Mr. PRICE. It is an unofficial body of businessmen, a few educators Government officials, who at some time or another have been members of the BAC, who are confidential advisers to the Secretary of Commerce.

Senator MARTIN. Who creates that council?

Mr. PRICE. I believe it was—the precedent was established under Secretary of Commerce Roper and it has been carried on. I believe it is created by appointment of the Secretary of Commerce.

Senator MARTIN. Are you familiar with the report to which I referred of last October?

Mr. PRICE. Fairly familiar with it.

Senator MARTIN. What does it recommend as far as tariff policy is concerned?

Mr. PRICE. There were two reports submitted. The first one was in November 1953. It recommended an extension of the Reciprocal Trade Agreements Act for 2 years with no increased authority. That was in November of 1953.

In October of 1954, a new committee recommended, approved an extension of the act for 3 years and the 5 percent reduction per year which is a part of this bill provided that there must be full hearings before any reductions. Also, strengthened escape clause with tariff committee recommendations mandatory in the absence of defense considerations.

During the 3-years extension, the Tariff Commission to make a new and complete study with a view to the overall revision of tariffs, not on an industry basis but on a product-by-product basis within industries.

The objective of the revision should be reasonable and legitimate protection for domestic producers who would be seriously hurt.

Also, consideration was to be given to the national defense, health, and welfare as well as expansion of foreign trade.

Rates should put foreign producers on a comparable competitive level with efficient United States producers.

And this substantially, without going into many details, comprises four of the principal provisions of the report.

Senator MARTIN. How was that report made. How did you come to those conclusions?

Mr. PRICE. That report was made by a special committee under the chairmanship of General Clay, Gen. Lucius Clay. The special committee of which I was a member submitted the report. It was unanimously approved by the whole membership of the BAC at the October 1954 meeting and was published immediately thereafter by the Secretary of Commerce.

Senator MARTIN. Mr. Price, would you care to comment on how H. R. 1 meets the recommendation of this report?

Mr. PRICE. Senator, if I may, sir, at the privilege of the committee, I am not as familiar with all of the language of this H. R. 1 as my associate, Mr. Huggins is. If he may answer that question, I would prefer that he did, sir.

Senator MARTIN. If you would permit.

Senator BENNETT. Without objection.

Senator MARTIN. I would like very much to because I think it is pretty important.

Mr. HUGGINS. I think there is a basic difference in philosophy between the BAC report and H. R. 1. H. R. 1 is specifically designed to further foreign trade in so many words without regard to the other factors that are mentioned in the BAC report whereas the basic philosophy, I believe, in the BAC report is the legitimate protection

for domestic producers and the establishment of rates following a full study by the Tariff Commission of the current tariff situation which would place foreign producers on a comparable competitive level with United States producers. It would not exclude them but it would not give them—it would remove the advantages that their low-wage costs and the other factors that contribute to the lower prices on foreign goods contribute to the existing situation.

That is a broad philosophy difference.

On the question of GATT, the Business Advisory Council felt that GATT should be limited primarily to an organization to recommend policy and trade philosophy rather than an active organization through which tariffs were set. I think that the view of the BAC does not fit in with the first section of H. R. 1. I think it is 3 (a) (1) (a) where they have extensive language which comes from GATT and in which they also have the provision which simply provides that the enactment of H. R. 1 shall not be deemed to approve or disapprove the organizational provisions of GATT.

The implication is there, as previous witnesses have indicated, that by limiting the approval and disapproval the organizational provisions of GATT, H. R. 1 can be construed as impliedly approving the substantive provisions of GATT which Congress has never before done and which so far as I know Congress has never had the opportunity to see.

There are 2 or 3 other major features. I think there is one provision of H. R. 1 which directs that the President, whenever he can, shall disregard classification categories. That has been commented on by other witnesses.

And I think the Business Advisory Council report specifically contemplates a very selective approach to the tariff problem and the President himself has stated and recommended that any approach to the tariff problem be selective. In that regard, H. R. 1 might be considered as inconsistent.

Under the principles of the BAC report, I think you might contemplate a strengthening of the escape clause so that the recommendations of the Tariff Commission or the findings of the Tariff Commission as to the existence or nonexistence of injury would be binding and mandatory and subject to overrule only for defense conditions, defense considerations.

Senator MARTIN. Thank you very much, Mr. Chairman.

I would like to ask Mr. Price another question.

You are reported in the papers last week as stating that your company had taken more business for power equipment in the first 2 months of 1955 than you had in all the year of 1954. How do you reconcile that with the statement that you have made to us here this afternoon?

Mr. PRICE. Senator Martin, I would like you to have the background for that statement.

Senator MARTIN. I think I understand a part of it but I am asking this question more to enlighten the committee and also the Congress and the American public.

Mr. PRICE. And also to keep the record clear.

At the time the statement was made, we were dedicating a \$7 or \$8 million steam laboratory in addition to our steam turbine facilities in

the south Philadelphia or Chester, Pa., as against a background of the necessary moving of a section of that plant out to Kansas City, Kans., as against a background of unemployment and the prospect of even further unemployment over the next year or so.

In the Delaware Valley, the Westinghouse Electric Corp. employs some 11,500 people with an annual payroll of some \$75 million. So it is a matter of concern to those people when an unemployment situation arises.

As a result of a very, very low ordering of new business by utilities in the year 1954, and the latter part of 1953, our backlogs in that division are decreasing. There is every probability that over the next 12 months the employment level in the plant may be lower than it is today. I wanted to give some assurance that looking ahead not to 1955, or not even to 1956 necessarily, but that sometime in late 1956 or 1957, the new orders that we received in December of 1954, January of 1955, and February 1955, would mean more jobs in the late 1956 and early 1957, because that is what the lead time is in that type of business.

Senator MARTIN. Thank you very much.

Mr. PRICE. Also, I might say that the principal things that we complain about in this plant in south Philadelphia is a little, very little affected by the things that we are meeting in this business. It is the water-wheel generator. It is the hydroelectric projects where we meet this competition principally. We do not meet it in our domestic utilities. As a rule, they do not buy foreign equipment and the plants which are affected by the hydroelectric jobs placed by the Government are in east Pittsburgh, not in south Philadelphia.

Senator MARTIN. And a whole lot of your trouble is by things that are placed by the Government, then, rather than by private industry?

Mr. PRICE. That is a large part of our problem because by and large private industry recognizes the strength, the willingness of the domestic manufacturers to build extra capacity into their equipment, to turn handsprings to install it and service it, and see that it performs properly.

Senator MARTIN. Mr. Chairman, I am not asking the next question just to kind of brag on what we have in Pennsylvania, but to carry out the principle of the question asked a moment ago. West Penn is erecting or has erected a couple of plants. The Penn Power erected that magnificent plant upon the Delaware at Martin's Creek, and several others, but all of that has been purchased domestically. There hasn't been any competition from anything for it.

Mr. PRICE. No.

Senator MARTIN. The real competition that you have had with foreign manufacturers has been through orders placed with the Government?

Mr. PRICE. That is right. By and large, Senator, that is true.

Senator MARTIN. Mr. Chairman and other members of the committee, that was the thing that just surprised me. It amazed me. You take Pennsylvania has a great deal of unemployment and it is largely because of the conditions in the mines. The same applies to West Virginia and Kentucky. But when I went into this unemployment and I found that the Federal Government was giving orders to foreign countries and these dynamos and things like that, I was really very much surprised because I like to see a man have an opportunity to work at gainful employment he is qualified to do and at wages, if he

is frugal and thrifty that he can have something to show for it, for his efforts at the end of the year.

I was just surprised and I wanted to bring that out. And I apologize to the chairman and the other members of the committee for taking the time, but it is to me a vital thing.

Mr. PRICE. Senator Martin, if I might be a little more specific on this point you just mentioned—

Senator MARTIN. I wish you would.

Mr. PRICE. I would like to be. I have told you that from my point—that from the high point of our employment in East Pittsburgh, Pa., right outside of Pittsburgh, of 18,000 in 1953 we have reduced our employment by some 2,700 people; in that plant at East Pittsburgh, we have a large new generator aisle. It manufactures generators both for steam turbines and for hydroelectric turbines. Twenty million dollars plus of our own money went into that plant built under a certificate of necessity with about 75 percent of the cost under rapid amortization. It was necessary, we thought at the time, for the national defense.

As a result of the Government jobs placed with foreign manufacturers with these low-wage scales, under price consideration only, where Westinghouse was the low domestic bidder, we estimate today that in our, principally in our East Pittsburgh division if the business we had lost in 1953 and 1952 were moving through our aisles today, we would have approximately a thousand more jobs in the Pittsburgh area. That is a "four" under the Labor Department indices—a 4-A labor area.

Senator MARTIN. It is a 4-A labor area.

That is very interesting. It is a matter that I think ought to have the very serious consideration not only of the Congress but the people of the United States, that they know of that situation.

Our unemployment in Pennsylvania is a critical thing and it has given a lot of us considerable worry. These 2,700 that you have had to lay off, I presume quite a number of them own their own own homes or having partially paid for at least?

Mr. PRICE. I certainly think so because that seems to be something that all of our people want to do. It is characteristic of the corporation.

Senator MARTIN. The employment of the Westinghouse plant at East Pittsburgh, they are a very high grade type of man, it is my recollection. I have not seen them for a long while. I have not been in your plant for years. But I used to go through it occasionally because it was educational.

Mr. PRICE. These people, most of them, are highly skilled.

Senator MARTIN. Thank you very much.

Senator MALONE. Mr. Price, I was just down to York, Pa., and went through the Smith plant there. They do manufacture, I guess, some of the approximately same type of equipment?

Mr. HUGGINS. That is the water wheel instead of the generator that goes with it.

Mr. PRICE. Is that Baldwin-Lima-Hamilton?

Mr. HUGGINS. S. Morgan Smith.

Senator MARTIN. Where is that located?

Senator MALONE. In York, a great manufacturing town.

Mr. PRICE. They make a water wheel which turns the—

Senator MALONE. It is massive equipment, a good deal like yours, the same type of thing.

Senator MARTIN. The greatest diversity of industry in Pennsylvania is in the city of York. They have a great diversity.

Senator MALONE. That must be right. I was very much interested in it because they are getting the same treatment you are getting. And they are in the same condition. It seems that we create our own difficulties, our own distress areas, and then we have various ways and various experts that treat them.

Your statement, Mr. Price, is one of the greatest indictments of our present officials charged with installing the proper machinery in these plants that I have ever heard. It is a terrific indictment, and I agree with it thoroughly.

It is a better statement than I could have written, and I write some pretty good ones sometimes when I am really hot.

Mr. PRICE. I am sure you do.

Senator MALONE. We use your equipment out there. We are not manufacturing anything in competition out in the western slope. I was State engineer when we built Boulder Dam, now Hoover Dam, and consulting engineer on the Central Valley project, and this machinery, the machinery that was installed there is giving wonderful service, all local machinery, I might say.

You said you had 51 companies in this particular business, in the entire industry?

Mr. PRICE. There are 51 companies, sir, that signed this statement which I am attaching to my statement as appendix No. 1.

Senator MALONE. How many other companies are there altogether?

Mr. PRICE. There are some companies in the electrical industry which are in particular phases of the industry which have not signed this statement, but these 51 companies are interested in general in the same things that Westinghouse Electric Corp. is.

Senator MALONE. Did General Electric sign it?

Mr. PRICE. General Electric has signed it, yes, sir. The Allis-Chalmers Co.—

Senator MALONE. What would you say would be the approximate number of employees in this entire setup of 51 companies?

Mr. HUGGINS. We do not have figures on the entire industry, Senator. There are about a million and a quarter, according to the Bureau of Labor Statistics.

Senator MALONE. Most of these are skilled workers?

Mr. HUGGINS. They vary from common labor all the way up to very high skill workers.

Senator MALONE. All trained people.

Mr. HUGGINS. These companies would employ a very substantial part of that million and a quarter.

Senator MALONE. Practically all of them are skilled in their particular job?

Mr. PRICE. Yes, sir, either certain type of machine or even very much higher skills.

Senator MALONE. What is the general spread of wages, just what the ordinary skilled worker for an ordinary type job? What would you consider ordinary type of wages to the most highly skilled, just approximately. You can correct the record if you care to later.

Mr. PRICE. I would like to give that to you specifically. I can say this to you, that in the kind of work that I have been talking about here today, the average would be in the neighborhood of \$2.25 per hour. In the beginning rates, in some of the other plants where the skills are not nearly equal to those at East Pittsburgh it would be much less than that. I do not know what. I would like to give you that information accurately instead of guessing at it.

Senator MALONE. That is near enough. I think in York I made special inquiry. I was very much interested in going through the plant because I had not been through one for several years, a plant of that nature. I think the spread was around \$1.80 to \$2.25, something in that neighborhood.

Mr. PRICE. That would be probably so in our East Pittsburgh works and other plants not requiring the same skills. The average might be \$1.75, around there.

Senator MALONE. These men that are highly skilled, they spend their lives in this particular work, do they not?

Mr. PRICE. They do, like a watchmaker.

When I tell you that as a result of laying off 2,700 people since the peak of 1953, we have gotten to the place where if we lay off any more we are getting people with 12- and 13-years seniority, you can understand how long these people have been with the Westinghouse Corp., the kind of people they are.

Senator MALONE. Anyone who has ever had anything to do with electrical machinery, where they have these tremendous revolutions per minute with this heavy machinery can readily see that the smallest blow will show up very quickly.

Mr. PRICE. That is right.

Senator MALONE. They must be almost perfect.

Mr. PRICE. They turn at some 3,600 revolutions per minute. Some of these blades are 42 or 43 inches long, in the steam generators they are operating under very high temperatures that have them at a red glow. A defect is a very serious thing.

Senator MALONE. Fatal in most cases, is it not?

Mr. PRICE. It may be.

Senator MALONE. I was extremely interested in the indictment of our own officials which I know you did not intend and just for the good of the country I think it is very good that it is in the record.

In a recent trip to South America, in every one of those South American nations, in almost every nation I was confronted immediately with the proposition that we should encourage our businessmen to give 4 to 6 years credit for the repayment of machinery and other purchases because, they said, that is what the Germans and the English and the French are offering. Of course, I had my comeback that that is with our money. We give them the money to offer that long-range payment plan. I thought our own people are operating on their own money, perhaps are doing the best they could. But they say they want to buy our machinery for two reasons. One reason is because it is better machinery; and another reason, because when war starts, they could not get the foreign machinery. That is, across an ocean.

Mr. PRICE. They have had 1 or 2 experiences.

Senator MALONE. That particular statement from the Anaconda Copper Co.—they are large machinery people. In their new plant up

in northern Chile, the head of the plant told me that they simply would not buy anything across a major ocean because they had that experience in the First World War and they had to remake almost every piece of machinery right on the ground because they could not get it repaired.

But we come back to the general industrial, economic—

Mr. PRICE. May I interrupt you there just to add a little bit to what you say there?

Senator MALONE. Certainly.

Mr. PRICE. The argument has been made so many times that we have to import if we are going to export. That is right. We do. I don't know about other industries but I know something about our own industry.

On business which is placed on purely a price basis because of our higher standard of living, because of the things which have happened in the last 25 or 30 years, if business abroad is placed on a purely price basis in the kinds of things I have been talking about here today, we have already lost our world markets. Don't misunderstand me. We still get a substantial amount. I am talking about the Westinghouse Electric Corp. specifically. We still get a substantial amount of business in the international field.

But we don't get that on a price basis. We get it from 3 or 4 sources. We get it from companies like Anaconda Copper who have learned over the years that it doesn't pay, that sometimes they can't get foreign manufactured equipment when they want it. It doesn't always have the extra capacity built into it that they want and domestic oil companies and others who know that domestic American manufacturers build something in their equipment that isn't on their nameplate, something beyond the rating plate.

If something is wrong, his engineers will turn handsprings to fix it. There is that class of customer.

There is the foreign operator who has had somewhat the same experience and knows too that in certain classes of equipment technologically we are so ahead of the rest of the world that you can only get a certain type of equipment in the United States, that has been true in some power equipment, steel-mill equipment, and so forth, and then in other cases where the demands of a particular job requires such a large piece of equipment that the foreigners thus far haven't had any experience in building.

That is where today those are the special situations that we are getting our international business, but on a price basis we have forfeited—I say we; I mean the country—our business has forfeited its world markets.

Senator MALONE. We have forfeited them through inflation, have we not, among other things?

Mr. PRICE. Yes.

Senator MALONE. And because of our high standard of living, which we want to maintain.

Mr. PRICE. I hope we will.

Senator MALONE. If you finally give up the ghost here that our Government is going to continue to buy the cheapest machinery wherever they can get it, which means cheap labor in most cases, isn't there a lot of heavy machinery such as you are describing that is almost impossible to do anyway except by hand, and through machines oper-

ated by skilled mechanics that any skilled mechanic can operate, but there is not very much difference in the hours of labor if you have the same machine, no matter what country you are located in. It is a matter of the labor, isn't it?

Mr. PRICE. That is right, sir. Most of this type of equipment that I am talking about is built on a job-shop basis.

You build 1 or 2 or 3 pieces of equipment of a certain type a year. It is not mass production. And there is just as competent labor obtainable in foreign countries as we have here, just as skilled.

Senator MALONE. If you finally found you just couldn't sell to the competition with the lower-cost machinery, to our Government, and, of course, our Government, I suppose, is one of the chief markets for this type machinery, because we build a lot of dams.

Mr. PRICE. It is the principal market in this country for hydroelectric equipment.

Senator MALONE. Yes. If you finally had to give it up you could build a plant where this cheap labor is located and take your foremen and superintendents and go over there and meet the price, couldn't you?

Mr. PRICE. I suppose we could. It would be contrary to the practice, policies of the Westinghouse Electric Corp. for the past 20 to 30 years. We could.

Senator MALONE. When was your Westinghouse organization first started?

Mr. PRICE. Well, we were 65 years of age in 1946. Senator Martin came to our 65th birthday party. So in 1946 we were 65.

Senator MARTIN. We had to go through a picket line, you remember.

Mr. PRICE. You walked through a picket line. We would be 74 years of age today.

Senator MALONE. If it became necessary—and the only difference in cost if you manufactured it there, with that price labor with your own foremen and superintendents, would be the water transportation—you could meet the competition, could you not?

Mr. PRICE. We could. Of course, sir, that is entirely foreign to policy that we have had up to this day.

Senator MALONE. I want you to know it is entirely foreign to my policy, but I am only asking you for the purpose of the record to show that the chief difference in the cost of this equipment is in the labor.

Mr. PRICE. Yes, sir. That is right.

Senator MALONE. And what they really mean when they say the customer is entitled to a lower price is that they are entitled to a lower cost labor product; that is what they really mean.

Mr. PRICE. You might just as well import the labor into this country and let us employ them at the English or Swiss or Japanese rates.

Senator MALONE. I have many times said on the Senate floor and elsewhere that no one can be for free trade and be against free immigration, because the result is the same.

Mr. PRICE. You are exactly right, I believe.

Senator MALONE. There can be no other conclusion. That is the next move of these economic one-worlders. There is no question about that either.

I notice that you have offered some amendments, taking for granted that this act will be extended.

You are, I presume, familiar with the Tariff Act of 1930 to which this regulation would revert in the event that the act was not extended and on any pieces of equipment or product that a trade agreement had been made that whenever the President of the United States served notice on that country with which the trade agreement had been made that also would revert in a stated length of time to the Tariff Commission on the basis of the difference in the cost between this Nation and the chief competitive country. You are familiar with that provision?

Mr. PRICE. Well, Senator, may I make a statement on that point and then you can go ahead and question me. I am not familiar with the Tariff Act of 1930.

I know more about the act after listening to you and the witnesses this morning than I did when I came in.

May I give you this background of my testimony and our interest in this problem.

This is comparatively for me and for my company, at least in the last 10 or 20 years, a new experience. In the prewar period—and I am speaking now of the period before World War II, from the early thirties we had the Buy American Act, which provided a 25-percent differential.

We had a tariff act that on most of our kind of equipment that I am talking about today provided a 35-percent average differential, so that we had approximately a 60-percent protective margin on the kind of products that I am talking about today.

In the postwar period we had an absolutely abnormal situation. Europe was being rebuilt mostly with our money under the Marshall plan. We had an abnormal foreign trade.

This situation as it has affected us we first encountered in the years 1952, 1953, and 1954.

With your conclusion—however it is done—that the tariff rates should put foreign producers on a comparable competitive level with efficient competitive United States manufacturers, I thoroughly agree.

We don't want to keep out any foreign products. If they have some technological advantages that we don't have, if they can do something that our manufacturers cannot do, if they can think up some new wrinkle that makes it more desirable, we don't want to keep them out.

But we would like to be competitive with them by tariff rates or whatever the situation is; we would like those competitive disadvantages leveled.

I am not a tariff lawyer. I don't care whether it is the Tariff Act of 1930, whether it is H. R. 1, or what it is.

I would like to see the matter remedied some way.

Senator MALONE. Wouldn't you like to see it on a principle?

Mr. PRICE. Yes, sir. On these very, very essential national defense projects which are so important to our national defense—and I don't put it all on that ground—but there are some of these installations where I think we should adopt it as a national principle that we will not have foreign built equipment installed.

Senator MALONE. If you put it purely on the basis of national defense—

Mr. PRICE. I don't put it purely on the basis of national defense.

Senator MALONE. Or any other basis except the basis of fair and reasonable competition, that is what you would like to see. That is very plain.

On the basis of point of manufacture, Pittsburgh, of course, or some other place in the United States is where we would like you to stay.

If you moved to Canada, not very far away, you would have the advantage of the country here and you could get your equipment here very easily or if you went to Mexico you probably could do the same thing.

We are talking about the economic structure of this country primarily. We have only brought the national defense in—or some people have—because there was some evidence that we were becoming vulnerable because we were becoming dependent for critical materials or equipment on areas across an ocean; we couldn't defend ourselves, which, in my opinion, according to the investigation that has been made already by a committee of Congress, was one of the plans of the Harry Dexter Whites and the Hisses and all the rest of them.

If that doesn't work out, an economic collapse would be just as effective, and one way of getting an economic collapse is to continue just what you are experiencing, that is loss of jobs, cutting down the manufacturers in these areas that have been self-supporting and living a good standard of living for so many years everybody forgot how they were getting along until something happened to them just like to you.

This is the first time you have had to come down here and complain about it, the Buy American Act that we have all depended on or at least it was just a way of expressing it, that at least that much difference in the wages and the taxes and cost of doing business was 25 percent, as you just outlined it.

What is it now?

Mr. PRICE. Six percent to ten percent. That is, that has been reduced by Executive order to where between 6 and 10 percent, say, 6 percent is the margin. The tariff rates have been reduced gradually until they are about 15 percent.

Senator MALONE. What were they to start with?

Mr. PRICE. Thirty-five on the average, so that it is the 60 percent that we regarded as normal prewar World War II, is down now to 6 plus 15, or 21 percent.

Senator MALONE. What were the wages in the competing countries?

Mr. HUGGINS. About a third to a tenth of ours.

Mr. PRICE. One-third to a tenth. If you took the Japanese rates it would be about a tenth. If you took England or Swiss, it would be somewhere around a third.

Senator MALONE. This total protection did add up so you could stay in business?

Mr. PRICE. That is right.

Senator MALONE. But now you can see the end of the business if it is merely on a straight bid of cost.

Mr. PRICE. Yes, sir.

Senator MALONE. There are these other organizations that I call trick organizations that are set up to deal in a game when our markets are in the pot. Of course, we all understand when our markets are not in the pot, there is no game because there are no other markets of any

magnitude to divide. GATT at Geneva was operating and able to operate because of this very act.

I suppose you have studied that situation.

Mr. PRICE. I haven't. I don't know whether Mr. Huggins has or not.

Mr. HUGGINS. I don't know whether it is operating because of the act or without regard to the act. I don't know of an act that legalizes GATT, but certainly GATT is operating.

Senator MALONE. If this reverts to the Tariff Commission of 1930 or if we amended the act for 1955 instead of advancing this one and you go back to a principle, that those tariffs must be fixed on the basis of fair and reasonable competition and that means the difference in the cost between here and your chief competitive nation, then our markets are no longer in the pot and there is nothing for GATT to operate on. Is there?

Mr. HUGGINS. I think that there is good evidence to support that statement, Senator.

If what we read in the newspapers is correct, with different foreign representatives commenting that they are only in GATT because of the United States.

Senator MALONE. Of course, my little grandson knows that and he was 5 years old last Friday. There is no game if the sucker isn't in it. Any poker game in any little town that is evident. If the man with the money doesn't come in then the game breaks up.

Mr. PRICE. Or the poor poker player.

Senator MALONE. If it wasn't a tragedy, it would be laughable, some of this stuff.

If I understand you correctly, that is exactly what you would like to see a duty, or as the Constitution of the United States calls it, a tariff, adjusted on the principle of fair and reasonable competition with the factors all taken into consideration of wage standard of living and taxes and other expenses of doing business compared to the chief competitive nation; isn't that what you really want?

Mr. PRICE. I can go for that. As to mechanics of it, there I just am not competent to talk about it.

Senator MALONE. That is what you would like to see.

Mr. PRICE. I would like to see that. I would like to see these foreign low-wage producers placed on a competitive basis with efficient domestic manufacturing industry.

We could live that way.

Senator MALONE. Now there is only one objective of any other kind of an act, the kind we have now, and that is to give one man the right to trade one industry for another, or in some way in his judgment, decrease the political danger of a foreign country, or in his judgment, the overall good of the economy of America. That would be in one man's judgment and that is what we have now under this act. We need to change the act on the basis of fair and reasonable competition, on the basis of the principle that we formerly had, namely a law set up by the ICC, to determine freight rate on reasonable return on investment. There may be a year's hearing on the particular factors but they finally come back to one thing, that is, what is a reasonable return on investment.

In this act of 1930, the principle was laid down of the difference in cost between this Nation and the chief competitive nations—in other

words on the basis of fair and reasonable competition to equalize the differences. Isn't that what you are talking about, for safety of investment security?

Mr. PRICE. Senator Malone, I have complete confidence in this administration. I do think this Congress should write into this legislation some principles on which to act. I can give you that general statement, and that is about as far as I would like to go or can go outside of what I have already said.

Senator MALONE. Mr. Price, I want to say to you I have complete confidence in our President. I helped elect him and I intend to elect him again if he runs. There was a rumor at one time that we had three branches of Government. We had the executive, legislative, and the judiciary—the legislative to pass the law, the executive to carry them out, and the judiciary to find out whether we are right or wrong as far as the Constitution is concerned.

I have said this on radio and television, and I say this all my working hours wherever I am asked, that there is no one man who is going to point to what the policy of this Government is going to be. The policy is going to be what this Congress passes after full debate and the President signs. That is what it is going to be. That is what we are here considering today. It isn't a question of having confidence in an individual Senator or in all of them or in the Chief Justice of the United States. It is a matter of the Constitution of the United States. You are also for the Constitution of the United States, aren't you?

Mr. PRICE. Yes, indeed.

Senator MALONE. Do you know that in article I, section 8, the Constitution says that the legislative branch shall set the duties or tariffs and shall regulate foreign commerce and foreign trade, and that they did amend the Constitution by an act of Congress and put it in the executive? All I am arguing, and have been for 8 years here, is to go according to the Constitution of the United States. If we want to change it, we can amend it, but have some principle laid down so if anyone wants to go out and build another plant like the Westinghouse plant, he can go to the investor and say, this is the law, you will have protection against any foreign country, manufacturer, on the basis of fair and reasonable competition. There may be mistakes made, but they must be corrected ultimately. If you can't compete with General Electric and Westinghouse, don't go into it. But if you have some improvement, then you are safe in your business. That is what you want, isn't it?

Mr. PRICE. Yes, sir.

Senator BENNETT. Any other questions?

Senator MILLIKIN. You don't want to be injured by unfair competition?

Mr. PRICE. That is right.

Senator BENNETT. If the law makes that clear, and that is enforceable, that is your objective?

Mr. PRICE. That is right, sir.

Senator BENNETT. You don't care what the particular form of the law is as long as you are not injured by unfair competition?

Mr. PRICE. That is right, sir.

Senator BENNETT. If there are no other questions, thank you very much, Mr. Price. I appreciate your being with us and all the material you presented will be contained in the record.

Mr. PRICE. Thank you, sir.

Senator GEORGE. Mr. Chairman, I am requested to offer for the record the following letter by Mr. George D. Watrous, Jr., Washington, D. C., with a copy of Mr. Watrous' reply to a request from Mr. Gwilym A. Price, president of Westinghouse Electric Corp., urging Mr. Watrous, as a stockholder, to join him in opposition to the bill, H. R. 1. Mr. Watrous emphasizes his approval of the bill.

(The letters follow:)

WASHINGTON, D. C., February 24, 1955.

HON. WALTER F. GEORGE,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

DEAR SENATOR GEORGE: I am enclosing a copy of a letter I have just written to Mr. Gwilyn A. Price, president of Westinghouse Electric Corp., in response to a form letter from him requesting me, as a stockholder, to write in opposition to H. R. 1 if I felt as he did. I do not.

If rules and circumstances permit I should appreciate it if you could insert this letter in the record when and if you hold hearings on H. R. 1, preferably in juxtaposition to any statement that has been or may be presented by Mr. Price.

Sincerely yours,

GEORGE D. WATROUS, JR.

WASHINGTON, D. C., February 24, 1955.

GWILYN A. PRICE,
*President, Westinghouse Electric Corp.,
Post Office Box 2278, Pittsburgh, Pa.*

DEAR MR. PRICE: I have your form letter of February 9 suggesting opposition to H. R. 1 and am in complete disagreement with practically everything you say despite the fact that I was born and brought up a New England Republican and hold stock in the company.

After 30 years' service with the United States Tariff Commission as statistician and economist I retired about a year ago, and just as you are "sincerely convinced that such legislation is unnecessary and dangerous" such experience has equally convinced me that it is both necessary and sound.

A point-by-point discussion of your views is impracticable but there are a few comments I should like to make.

In 1952 I inherited a few shares of stock in Westinghouse and having complete confidence in its ability to meet both foreign and domestic competition I doubled my holdings. Your apparent lack of similar confidence and your defeatist attitude is appalling and if based on facts the affairs of the company should be wound up and orders on hand turned over to General Electric which seems to be doing all right.

In the course of my work at the Tariff Commission I have had occasion to read a great deal of the testimony before the Ways and Means Committee and the Committee on Finance each time the Trade Agreements Act has come up for renewal. Each time every butcher, baker, and candlestick maker comes in and with tears in his eyes tells how his industry has been sold down the river and the dire consequences that will result. Note that future tense. Practically never does such a witness give any convincing testimony to show that his business has been injured in the slightest degree. Earnings of \$5.06 per share in 1954 as compared with \$4.53 in 1953, and your statement as reported in the paper today that orders are expected to be 10 percent above last year, do not suggest to me that the corporation is in extremis.

I am also sorry to see you drag in the national defense plea for it has been overdone to the point where it lacks any significance. The Swiss watch case was genuinely such a matter and it was solely on that ground that the President increased the rates of duty. Personally I think a direct subsidy would have been better. Certainly there is nothing about Westinghouse involving special skills that must be protected from imports.

Incidentally the compensation demanded by Switzerland, to which you refer in your printed statement, is not as you imply a monetary compensation but the granting of other tariff concessions equal in value to those withdrawn. A very different matter.

Finally you suggest a new Tariff Act and express the opinion that the Nation would gain thereby. You cannot be familiar with the conditions attendant on the passage of the Tariff Act of 1930 and the foreign repercussions that resulted or you would never suggest that there might be any possible gain to the Nation.

Secretary Wilson in an oft-misquoted speech correctly linked the welfare of the United States and General Motors, but if your views are sound that axiom is not applicable to the United States and Westinghouse.

Sincerely,

GEORGE G. WATROUS, JR.

Senator BENNETT. We will now hear from Mr. Fred G. Singer, international trade and tariff committee of the Manufacturing Chemists Association, Inc.

STATEMENT OF FRED G. SINGER, CHAIRMAN, INTERNATIONAL TRADE AND TARIFF COMMITTEE OF THE MANUFACTURING CHEMISTS' ASSOCIATION, INC.

MR. SINGER. Mr. Chairman and members of the committee, my name is Fred G. Singer. I am chairman of the international trade and tariff committee of the Manufacturing Chemists' Association, Inc., which association represents something more than 90 percent of the tonnage of chemicals produced in the United States. More than half its 150 members are classed by Government standards as small business. I have been charged by the association to present this testimony to you.

The association in general endorses the administration's overall foreign economic policy objectives, which we take to be the expansion of world trade to strengthen the economics of our partners of the free world, while maintaining the economic strength of our own country, which strength remains the keystone of dependability and security for the free world. However, we object strongly to overemphasis on the importance of continued United States tariff reductions in solving the trade problems of the world.

H. R. 1 is directed to this particular aspect of the foreign economic problem.

Respectful of this committee's request for brevity, we have taken the liberty of supplying each member of this committee with a copy of our testimony to the House, so that, if any member should care to do so, he may examine our own considered expression of concern over the long-term effect of the trade agreements program, as it has developed, on employment, on our national security and welfare, both in peace and in war. That testimony includes our objections to certain parts of the bill, particularly the new authority to reduce tariffs in three alternate ways, as still written in this bill (p. 4, line 12 through p. 5, line 23).

In order to help in reading that testimony, we have struck through those parts which no longer apply. The references are, of course, to H. R. 1 as first introduced in the House.

Mr. Chairman, I did not know the rules of the House. We are not asking that the attachment be included in the record as the material reproduces a document which has already been published, but we

wanted each Senator on this committee to have the copy in that convenient form.

Senator BENNETT. I understand from your testimony it has been supplied to each member of the committee in his own office.

Mr. SINGER. That is right. We are not requesting that it be included in this record.

Senator BENNETT. That is fine. Thank you.

Mr. SINGER. We are limiting our comments today to developments with respect to this legislation which have occurred since our presentation to the House on January 27.

On February 17, 1955, during the debate on the House floor, President Eisenhower wrote a letter regarding H. R. 1 to Hon. Joseph W. Martin, Jr., from which we quote those parts which are pertinent to the point we wish to make. I quote: "No American industry will be placed in jeopardy by the administration of this measure," and further: "You know, too, that this program will be selective in application, for across-the-board revisions of tariff rates would poorly serve our Nation's interests" and lastly: "in the program's administration the principle of true reciprocity will be faithfully applied." These are strong, clear statements, and they delineate a sane and reasonable approach to the tariff question. This approach is thoroughly consistent with the position taken by this association. However, holding to the principle of government by law rather than by personality, we note that none of this thinking appears in this bill, the Trade Agreements Act itself, or in any of its amendments.

We respectfully urge that the present bill be amended to make specific provision for tariff determination only on a selective and product-by-product basis, with due regard for the principle of true reciprocity.

To explain this point further, it is essential, in our opinion, that negotiators sent by the President to international conference have a clear vision of the framework within which they are authorized to speak.

Beyond that, this bill, if enacted, will be one of the existing laws under which you will later be examining the application of the new authority to the multilateral tariff and foreign-trade treaty known as the General Agreement on Tariffs and Trade or, in short, as the GATT.

Our association has attempted to review H. R. 1 in the light of the GATT. We understand that there has been at the recent ninth session discussion of a New Proposal for the Reduction of Customs Tariffs, known as the Pfimlin plan. The original plan was adopted for study by the GATT contracting parties in October 1953. A comparison with H. R. 1 shows that the present bill's tariff reduction provisions are almost completely in line. We quote to you from the description of purposes of this plan:

In brief, what are the main characteristics of the new approach to tariff reduction? In place of bilateral negotiations between countries on a product-by-product basis aimed at a strict balance of concessions, there would be an obligation on all participating governments to reduce the protective incidence of their tariffs in accordance with a common standard. The concept of mutual advantage remains. The balance for any particular country, however, is measured not by setting off specific concessions obtained against specific concessions granted, but by setting off the overall reductions made by it under the common standard against the overall reductions made by others under the

same standard. Another feature of the plan is that it requires efforts proportionate to each country's tariff level. And, finally, it provides an additional obligation to reduce individual rates of duty which exceed given levels (GATT/1954-1, p. 5).

This can only be read to mean a call for reductions of rates on an across-the-board basis and the imposition of an arbitrary ceiling.

Our second point at this time, Mr. Chairman, is our deep concern over the wording of the second and new proviso to section 3 (a) of the bill, page 3, lines 7 through 12. This proviso reads:

Provided further, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of *organizational* provisions of any trade agreement entered into under this section.

This proviso, at first glance, appears similar to the "caveat" which originated in this committee, with particular reference to the GATT, and which has been incorporated in all Trade Agreement Extension Acts since 1951. Actually, the new wording is very different from the old. We have italicized the word "organizational" because that is the word which changes everything.

This choice of words confirms our worst fears that Congress might be delegating to the executive branch all of its remaining constitutional authority to regulate our trade with foreign countries. This, added to the authority granted in section 3 (a) (1) (A), page 2, line 20 through page 3, line 4, including the vague reference "to other matters," effects a delegation of authority far beyond that requested by the President. It is based on the introduction of the word "organizational" in a recommendation of the Randall Commission majority report (p. 49, lines 4 through 13).

The first time that word was mentioned was in a staff paper prepared for the Randall Commission by the Department of State, according to general understanding (Staff Papers: p. 276).

The GATT, as it exists provisionally today, is divided into three sections, which are numbered but bear no titles. There is no section entitled "Organizational Provisions" but, without a detailed study, it might be claimed that part I could be referred to as "The Tariff Schedules and the Most-Favored-Nation Treatment Provisions," part II as "Commercial Policy Provisions" and part III as "Organizational Provisions."

The United States has provisionally entered into the GATT, part I under the Trade Agreements Act authority, but, as pointed out by the Randall Commission, questions have arisen as to the authority under which we entered parts II and III. Yet, under the new wording, the Congress would waive review of the commercial policy provisions, and pass only on the organizational provisions of the GATT.

We urge that the wording of the original caveat be substituted for the new wording and as a separate section of this bill.

Mr. Chairman, this completes my testimony.

Senator BENNETT. Thank you, Mr. Singer. Are there any questions, Senator Millikin?

Senator MILLIKIN. No questions.

Senator BENNETT. Senator Martin.

Senator MARTIN. I have no questions.

Senator BENNETT. Senator Williams.

Senator WILLIAMS. I have no questions.

Senator BENNETT. Senator Malone.

Senator MALONE. AS I understand your testimony, you are afraid of the Geneva agreement on trade and tariff organization at Geneva under the present setup.

Mr. SINGER. Yes, sir.

Senator MALONE. If this act were not renewed and reverted to the Tariff Commission, an agent of Congress under the 1930 Trade Agreements Act, GATT would no longer operate, would it, to divide our markets?

Mr. SINGER. Senator, I am keenly interested in the points that you have been making during this inquiry of our petitions, but I do not quite understand that question. The enactment of H. R. 1 has nothing to do with the life of the Trade Agreements Act. The principal purpose of H. R. 1 is the requirement under the act, which is in the statute, that the authority to enter into trade agreements be renewed from time to time. The act itself is not affected by that nor is the right to proclaim, and any article which has never been the subject of a trade agreement has never left the protection of the Tariff Act of 1930. It is only those articles which are subject to a trade agreement which have lost the benefit of paragraph 336 of the Trade Agreements Act of 1934. That may have made sense at the beginning of this program, but now that practically everything is under the trade-agreements program, many of us think that it would be very wise on the part of Congress to reestablish the authority of 336 over all the articles of commerce.

Senator MALONE. That was the purpose of my question. I have asked it so many times, I probably didn't quite complete the question.

Mr. SINGER. I tried to understand you.

Senator MALONE. You are definitely correct, but if there is no extension of this act and no further trade agreements can be made by the State Department, technically speaking—

Mr. SINGER. GATT is something that is quite independent from the Trade Agreements Act.

Senator MALONE. I understand that.

Mr. SINGER. You are going to have legislation, I understand, on this matter.

Senator MALONE. Suppose we complete the question this time. Suppose we do not extend this Trade Agreements Act and there is no interference and no possible chance of any further trade agreements being made by the State Department.

Mr. SINGER. No new ones.

Senator MALONE. No new ones can be made.

Mr. SINGER. Yes, sir.

Senator MALONE. The President may at his discretion serve notice on any country with whom a trade agreement has been made for cancellation and within a specified time that reverts to the Tariff Commission, does it not?

Mr. SINGER. He has to advise and still has to proclaim before that particular agreement is canceled, then it would eventually be canceled.

Senator MALONE. Call it proclaiming, but he serves notice on the nation with which the trade agreement has been made.

Mr. SINGER. Yes; then we come back to the procedures under 1930.

Senator MALONE. After a specified time the regulation of that article will revert to the Tariff Commission.

Mr. SINGER. Yes, sir; under the provisions of the Tariff Act.

Senator MALONE. To stop all this business, should we not extend the act, and then persuade the President in each case from time to time to proclaim, if that is the best word, serve notice at least on the nations with which we have such trade agreements, so that those products all in due time come back to the Tariff Commission under that policy of fair and reasonable competition; isn't that the solution of it?

Mr. SINGER. That is a solution, if you can persuade the President to do so.

Senator MALONE. If you persuade the Congress to start it, it might help.

Mr. SINGER. All right, sir.

Senator MALONE. What you are talking about is if you could yourself bring it about to revert that section 336 and be regulated as a duty in accordance with the difference between the cost of production here and the chief competing nation.

Mr. SINGER. I would add, yes, sir, that 336 is 1 of a group of sections that was known as constituting the flexible provisions of the Tariff Act of 1930. I think if we came back to the procedures under those flexible provisions, the majority of people in industry would be satisfied.

Senator MALONE. I have not heard one complaint since they have been under this new setup for a while. If they could go back to that fair and reasonable competitive basis, you wouldn't complain; would you?

Mr. SINGER. No, sir.

Senator MALONE. Then what you would like to do is get these trick organizations like GATT and United Nations Assembly Organizations just set by a resolution to regulate foreign trade on a world-wide basis, International Trade Agreements Act, International Materials Conference, I suppose you are more or less familiar with what that was. It was set up by the State Department following the refusal of Congress to take the International Trade Organization. If we just got all of those organizations out of our hair through this simple procedure, they are the ones you are afraid of, aren't they, in addition to the State Department?

Mr. SINGER. Yes, sir. If I could make a personal remark, I am not authorized on behalf of my organization to say it, but I have had a great many years of experience in Europe working for American companies, and I sincerely believe that we cannot merge our system or our economic ideas or other ideas that constitute what we call the American way of life with the systems of other countries. We are required by the United Nations Charter to harmonize, but that is very different from merging, and I don't think we can ever merge with others without dropping our standard of living.

Senator MALONE. Of course, overpopulation is their trouble in Europe and Asia. Your ancestors and mine left there 100 or 200 years ago because they couldn't make a living, and they still can't.

Mr. SINGER. It is awfully hard for the young people.

Senator MALONE. If we divide our market with them, we might hold them up for a little longer.

Mr. SINGER. We might bring their standard of living up a little, but we would lower our own considerably.

Senator MALONE. You are making my speech.

Senator BENNETT. Any further questions?

Senator MILLIKIN. I would like to ask this question. If the present law and the proposed bill had the effect of protecting against serious injury, would that serve your purpose?

Mr. SINGER. Senator, could I have that again?

Senator MILLIKIN. Yes. If the present law as modified by the proposed bill protects against serious injury, would that serve your purpose?

Mr. SINGER. If it had clear standards and yardsticks by which injury could be measured and every word in the bill could be properly understood, my answer would be "Yes."

Senator MILLIKIN. And you have the same difficulty in having every word understood no matter what system you might get into, either a new revision of this bill or of going back to some old law where there would be some question about what was meant.

Mr. SINGER. We shall never be able to carve in granite what we really mean to say, apparently.

Senator MILLIKIN. Thank you very much.

Senator BENNETT. Thank you very much, Mr. Singer.

The next witness is Mr. Richard F. Hansen of the Allied Chemical & Dye Corp.

STATEMENT OF RICHARD F. HANSEN, ASSISTANT TO THE PRESIDENT, ALLIED CHEMICAL & DYE CORP.

Mr. HANSEN. Mr. Chairman, members of the committee, my name is Richard F. Hansen. I am assistant to the president of Allied Chemical & Dye Corp.

A representative of Allied testified before the Ways and Means Committee regarding H. R. 1. Because that statement is in the record and available to the members of this committee, we do not propose to repeat it here. However, we do urge the committee to consider it because it describes that portion of the organic chemical industry which is most vulnerable to reduced duties which would be authorized by H. R. 1.

It was somewhat comforting to be present on February 18 when Representative Martin read to the House the letter he had received from the President regarding the administration's foreign trade program. As you know, it said that the program is designed to "reinforce the military and economic strength of our country"; that "it would ill serve our Nation's interest to undermine American industry or to take steps which would lower the high wages received by our working men and women"; and that it will be "administered to the benefit of the Nation's economic strength and not to its detriment."

Coming as they did, on top of previous assurances that the program was moderate, gradual, selective, and reciprocal, these encouraging words would have furnished a rallying point for most segments of industry, labor, and agriculture but for one fact, namely, the discrepancies between this description of the program and the provisions

of H. R. 1. If H. R. 1 were confined to granting the authority necessary to carry out such a program, and contained appropriate safeguards to assure that no more could be done, we would not be here today. But we are convinced that H. R. 1 goes much further. Our reasons are:

1. That H. R. 1 does not require that the powers it would grant must be exercised on a moderate, gradual, selective, and reciprocal basis.

2. H. R. 1 is drawn to authorize wide discretionary powers and is almost completely devoid of any standards to govern the action which may be taken under it.

3. Past actions and present attitudes of the administrators of the Trade Agreements Act raise doubts that the powers granted would be exercised moderately, gradually, selectively, or reciprocally unless the law so requires.

We assume, of course, that the program to which the President refers is a present program, and that it includes both negotiations and plans for negotiations which are now being carried out. In the light of this assumption, it is pertinent to ascertain what H. R. 1 would do to implement this program, and what the entire program would embrace.

In the first place, we find nothing in H. R. 1 which would in any manner "reinforce the military and economic strength of our country." It is entirely silent on the subject. It would, of course, leave intact the present provisions of the law regarding the ascertainment of "peril points" before tariff concessions are made, and the escape-clause procedure which permits withdrawal of concessions after they are made. But these fall far short of the mark.

Up to the current negotiations involving Japan, the "peril-point" procedure has accorded no protection to domestic industry. How much value it will have in these negotiations remains to be seen, since neither the findings nor determinations required by it have ever been released. This procedure was first passed by law in 1948. Hearings under it were first held prior to the negotiations at Annecy in 1949. However, the requirement that the findings be adhered to, or the reason for deviations therefrom be explained, was repealed before the Annecy negotiations were completed.

There were no "peril point" provisions in effect prior to the negotiations at Geneva in 1947 or Torquay in 1951. Hence, all negotiations to date appear to have been conducted on the basis of a "calculated risk," leaving to actual experience to determine whether or not American industry would be injured by reduced tariffs.

On balance, the "escape clause" would appear to encourage the making of concessions which, in many instances, might not be made if they were irrevocable. In actual practice this procedure has been widely condemned by domestic producers because it encourages reductions but provides little relief. In large part this is probably due to the lack of appropriate standards and definitions covering the conditions under which concessions should be withdrawn or modified. As a result, there have been relatively few cases in which even a majority of the members of the Tariff Commission have been able to agree as to whether a domestic "industry" had experienced, or had been threatened with, "serious injury," and even fewer instances in which the President has agreed that this condition existed.

Neither "industry" nor "serious injury" is defined in the law and the different meanings attributed to them have deadlocked the members of

the Tariff Commission on a number of occasions. For example, in the recent proceeding involving woodscrews, some of the members held to the view that the only factors to be considered were those "directly and inherently part of the operations in the production and sale" of the particular product involved—woodscrews. The other members were of the opinion that all operations of the companies making woodscrews should control. Those who found domestic industry had been seriously injured pointed out that if the law be interpreted to require consideration of the profits of the companies on all products they made, it would practically nullify the escape clause. They stated that under such a view "no relief would be granted for any of the thousands of individual chemicals as long as the chemical industry was making satisfactory overall profits."

Significantly, the President declined to grant relief in that case on the ground that the financial statements of the companies making up the bulk of the industry showed "that the industry as a whole has not suffered serious injury." We agree with the Randall Commission that "one of the essential strengths of our entire economy is the vitality and diversification of our industry." We do not agree with an interpretation of the "escape clause" procedure which penalizes diversification and denies relief to companies because they have added more profitable items to their lines.

Section 2 of the Trade Agreement Extension Act of 1954 (Public Law 464, 83d Cong.) adds nothing to the "escape clause" procedure. It applies only to new concessions. It provides simply that duties shall not be reduced on any article if the President finds that the reduction "would threaten domestic production needed for projected national defense requirements."

How is this question to be resolved?

Is section 2 of the 1954 act intended to restrain decreases in duties only in the case of the specific defense products for which mobilization goals have been established? Would it apply in every case in which we have idle domestic capacity under mobilization goals?

Would a reduction in duty be precluded if the indicated effect would render production of a specific product unprofitable?

Would an entire industry with a diversified line have to show that its operations as a whole were not profitable?

More important perhaps is whether the provision would be interpreted to apply at all to hundreds of chemicals which are essential to, but several steps removed from, military end items.

Finally, if costs and profits are to be used as the basis for finding or predicting injury, there will always be the question of cost allocation as applied to multiple products of a highly integrated operation. This is a serious question in the chemical industry where by-products and co-products are in many cases inevitable. Cost accounting is far from an exact science and we know from experience with price regulations how serious it can be and how difficult it is to demonstrate to an administrative official that certain products of an integrated operation are unprofitable.

Under these circumstances, it would appear clear that the "peril point" and "escape clause" provisions and the 1954 amendment relating to national defense requirements would have to be amended and adequate standards provided before they could be relied upon to "reinforce the military and economic strength of our country." As

presently interpreted, production of relatively small but vital segments of our industry could be undermined, product by product, and driven to foreign countries having much lower costs. The very fact that the operations which are most vulnerable to foreign competition are relatively small, increases the danger that this may come to pass.

As this committee knows, it has been our national defense policy for nearly 5 years (under the Defense Production Act of 1950) to encourage a massive expansion of defense production facilities—to create a mobilization base adequate to meet any emergency that might confront us in the future. This has meant the financing and building of facilities beyond levels necessary to meet civilian demand. Under this program the chemical industry has invested nearly \$6 billion in nearly 1,100 separate projects, of which \$3 billion has been certified as “necessary in the interest of national defense.” As pointed out by the Joint Committee on Defense Production, “Adding new capacity can be futile, however, unless the mobilization base, built at great cost, is maintained in the maximum possible state of readiness.”

These plants cannot long be kept in a maximum state of readiness or, indeed, maintained at all, unless they are permitted to operate at an economical rate. It is rarely possible to convert them to uses other than those for which they were intended and the only alternative is dismantling or scrapping.

In order for tax-amortization certification to be of any value the project for which it was granted must return the capital investment and produce income sufficient to utilize the deduction. Equally important to these production facilities is availability of competent, highly skilled operators, technicians, and scientists. They can't be stockpiled or mothballed for future use. In fact, essential personnel must be constantly replenished. But technically trained employees will not be attracted to the industry unless it continues to be dynamic and to offer real opportunity.

Neither H. R. 1 nor existing law would prevent or seriously discourage the frittering away, step by step, of necessary defense facilities. If each of the thousands of chemical products made in this country were considered one by one, it is probable that in many individual cases a finding could be made in good faith that a decreased duty on a particular product would not, per se, “threaten domestic production needed for projected national defense requirements.” But the cumulative effect of reductions on a significant number of related products could be very serious.

Fundamentally, of course, the real question is whether lower tariffs would result in the high levels of international trade that have been suggested as a reason for H. R. 1. Although the effect of reduced tariffs would be far from uniform, we do not believe such action would greatly increase imports on an overall basis. In many instances, it would merely result in a corresponding depression of domestic prices. We have excess production capacity for most products already installed. For a short while we probably would find it more advantageous to continue producing and selling some products until more profitable uses could be found for the plants, even though the rate of return would be considered abnormally low and would be grossly inadequate to warrant new installations. In fact, we are presently in this situation as regards a number of products, and further tariff

reductions would only aggravate it. The inevitable result, however, would be the complete cessation of operations when it results in a net out-of-pocket loss, which I understand has happened already in the case of some chemical plants. We also believe that in numerous instances segments of the industry will move abroad as they become unprofitable.

In other cases, however, it is equally clear that reduced tariffs would lead to imports of chemicals which would displace an appreciable volume of domestic production. There appears to be an increasing tendency by American companies to produce abroad then bring their products back to this country at lower prices than those at which they could be produced here. It is already happening with chemicals. Foreign materials are not only being imported into this country under present rates of duty, but are also capturing a sizable portion of what has for many years comprised our export market in third countries. This tendency can be expected to increase in cases where it can be ascertained in advance that domestic production will not be competitive. The effect of this upon employment in the domestic chemical industry is obvious.

Taking the principal provisions of H. R. 1 in order, we note that section 3 (a) (1), page 2, line 3, repeats without change the declared purpose of the present law of "expanding foreign markets for the products of the United States," and outlines the means by which such purpose is to be accomplished. In essence, it provides that foreign markets are to be made available for American products by affording "corresponding market opportunities" for foreign products in the United States.

Section 3 (a) (1) (A), page 3, lines 7 to 12, provides that enactment of H. R. 1 is not to be construed as approval or disapproval of "organizational" provisions of any trade agreements. Heretofore Congress has avoided expressing approval or disapproval of any of the provisions of trade agreements. In view of the different form of caveat included in prior extensions of the act, and of the refusal of the House to amend this provision by eliminating the word "organizational," a serious question is raised as to whether this language would not signify congressional approval, and therefore ratification of the substantive provisions of the General Agreement on Tariffs and Trade. This unfortunate result could be avoided by now deleting the word "organizational" is that the proviso would clearly apply to both the substance and structure of all trade agreements.

Section 3 (a) (2) (D) (11), page 4, line 14, would grant authority to reduce rates to 50 percent of the January 1, 1945, rate, on articles determined by the President to be "normally" not imported or to be "normally" imported in "negligible quantities," provided such articles are identified on a list furnished to the Tariff Commission for peril-point findings. This grant of authority is vague and indefinite and wholly devoid of any reasonable standard for its exercise. It fails to heed the recommendations of the Randall Commission that, in addition to including limitations on maximum permissible changes, congressional delegations of tariff-changing power "must be accompanied by adequate standards" (report, p. 49).

Does "normally" mean under unspecified conditions in the United States, or in the world, or during a reasonable period, or all such conditions."

Does "negligible quantities" mean amounts which are small absolutely or relatively? If relatively, in relation to what: World production, United States production, production of the country with which an agreement is being negotiated, United States imports of the specific article, or total United States imports?

Whatever meaning is attributed to these terms, the provision is predicated on a false premise. It assumes arbitrarily that all articles not imported in substantial quantities are kept out of our markets by excessive tariffs. It wholly ignores many other reasons which may be more controlling, such as: United States patents; a small domestic demand for the specific article; a preference for other articles of different design; or, in the case of chemicals, because certain compounds are not presently articles of commerce in this country. However, in the case of hundreds of compounds, a significant cut in duty could lead to their importation (or offering) in substantial quantities for conversion to established articles of commerce.

Under this provision, foreign goods could be withheld from our markets deliberately, by cartels and other devices, just to qualify for such a reduction in tariff rates.

Finally, this provision completely fails to require that the reductions made under it be made on a moderate, gradual, selective, or reciprocal basis. How could one determine what volume of foreign goods would enter our markets and what "corresponding market opportunities" would be opened up for American goods by reductions of 20 percent, 30 percent, or 50 percent? It is wholly discretionary, except for the condition (imposed by sec. 3 (a) (3) (B)) that not more than one-third of the decrease be put into effect in any one year. The "negligible quantity" test is purely arbitrary and is a negation of selectivity.

Section 3 (a) (2) (D) (iii), page 5, line 3, would authorize reductions in rates to 50 percent ad valorem on articles now subject to duties above that amount. In each case the ad valorem equivalent would be determined by the President during a period determined by him to be "representative." To the extent he determines practicable, he would use the standards of valuation contained in section 402 of the Tariff Act of 1930.

Except for the reference to section 402, this is wholly devoid of standards. The majority report of the House Ways and Means Committee frankly admits that "the restrictiveness of a duty bears little relationship to the height of the tariff" (appendix A, p. 36). Because the height of a tariff bears little relationship to its restrictive effect, authority to reduce all rates to a maximum of 50 percent ad valorem is completely arbitrary. Certainly no claim can be made that this authority would be moderate, gradual, or selective, or that it could have any relation to the furnishing of "corresponding market opportunities."

Section 3 (a) (2) (E), page 5, line 24, would authorize cuts to 50 percent of the January 1, 1945, rates on articles listed in the Federal Register of November 16, 1954, if the President determines such cuts are necessary to provide expanding export markets for Japan, including markets in third countries. This provision is a complete departure from the theory and stated purpose of the Trade Agreements Act which has always contemplated concessions by this country in exchange for reciprocal concessions by other countries for our prod-

ucts. Since its passage, the act has been aimed exclusively at the development of foreign outlets for American production by affording "corresponding market opportunities for foreign products in the United States."

In 1954 an effort to authorize such multilateral negotiations for the benefit of other nations was defeated. Adoption of section 3 (a) (2) (E) would appear to legitimize negotiations which were never contemplated by Congress.

Under section 3 (a) (3) (C), page 7, line 7, the period of time within which a cut of 15 percent of the July 1, 1955, rate may be put into effect would be extended beyond June 30, 1958, for such period as the cut was legally suspended.

With all other authority under H. R. 1 expiring on June 30, 1958, there would seem to be no sound or sufficient reason for providing for an indefinite number of partial and piecemeal extensions. We believe that all authority to make or institute reductions should expire at the same time.

Section 3 (a) (3) (D), page 7, line 17, would authorize the President to exceed the maximum limit on any reduction or part thereof (in order to simplify computations of duty) by further reducing the rate to the next lower whole number or by one-half of 1 percent, whichever is lower.

All grants of authority should be subject to outside limits and no good reason appears why reductions in duty rates, whatever they may be, should not be computed within such limits. Complicated fractions can be avoided by conceding less than the maximum, as well as by conceding more. Express authorization to exceed the maximum in each case would be an open invitation to reduce all rates to the limit. If this excess authority is requested by the administration it casts doubt on the oft-repeated assertions that the program would be carried out moderately, gradually, selectively, and reciprocally.

It will be noted that this provision would allow any limitation in 3 (a) (2) (D) or (E) and 3 (a) (3) (B) to be exceeded, for example, under 3 (a) (2) (D) a 15-percent reduction in a 10-percent rate would be 1.5 percent, to be effected in amounts of 0.5 percent per year for 3 years. The final rate would then be 8.5 percent. But if the rate arrived at each year, after applying the 0.5-percent reduction, is further reduced by 0.5 percent per year (as provided in section 3 (a) (3) (D)), the final rate would not be 8.5 percent but 7 percent, and the reduction would not be 15 percent but 30 percent!

Section 3 (a) (4), page 8, line 8, would direct the President (to the maximum extent he deems practicable and consistent with the purpose of the act) to avoid the subdivision of classification categories.

It is doubtful that the extent and implications of this provision were understood by its author. To avoid the separate enumeration of hundreds of thousands of products, the tariff schedules contain many general descriptions commonly referred to as basket clauses. Some of these apply to thousands of distinct commodities. For example, paragraph 27 specifically names 86 cyclic intermediate chemicals but general language in the same paragraph also embraces over 1,000 additional intermediates in commercial use and an unknown number of others not commonly traded in. If no segregation is to be made of these products, the impact on the hundreds of producers of products in this category could be enormous. This is not selection. It is a

negation of the selective process. Although inadequate in providing a satisfactory standard, the Kean bill in 1954 at least had the virtue of trying to furnish some guide for action. It proposed, as the Randall Commission had recommended, that subdivision in a manner which would cause confusion or controversy should be avoided.

To overcome, insofar as possible, the need for classifying articles by similitude and chief use, the chemical industry has spent thousands of hours in devising new descriptions which, if adopted, would group like products together in related groups or chemical families. This approach could greatly simplify the chemical schedule and greatly assist importers, appraisers and others in properly and expeditiously ascertaining the applicable rate of duty. Under H. R. 1, however, it could also have the effect of subjecting large categories, containing numerous distinct compounds, to wholesale reduction.

It would be far preferable to permit subdivision of classification categories but to require a careful consideration of all items on a product-by-product basis before any reductions could be made.

In summary, we wish to make clear that we are not opposing the principle of enlarging market opportunities for American goods by making moderate, gradual, and selective reductions in United States tariffs. Nor are we advocating a policy of raising trade barriers. We do wish that no further rate changes be made in chemical schedules at this time. We still have not experienced the full effect of the drastic reductions made in 1951.

We should know what these effects will be before we make further changes. We should ascertain whether they will impair our mobilization base. We should recognize that it will be much more difficult to retrace our steps later and reinstitute measures which may prove necessary than it is now to insure that the course we chart is the correct one—to guarantee by law that whatever action may be taken will, in fact, be moderate, gradual, selective, and reciprocal.

Thank you for this opportunity to present our views on H. R. 1.

The CHAIRMAN (presiding). Thank you for presenting what seems to me to be a very fine analysis of this legislation.

I missed a part of your statement, but I will read it all very carefully.

We are very proud of the fact that under my administration as Governor of Virginia the Allied Chemical Co. constructed a big plant at Hopewell. I believe you made a success of that operation.

I would like to ask this question. From what countries do you anticipate the greatest danger of imports?

Mr. HANSEN. The segment of the industry that concerns us, and which the introductory part of my paper indicates was described in detail in the House report, is the synthetic organic chemical industry, which is built around carbon compounds. And while there are a few large production items in this category, most of them, numbering in the thousands, quickly cease to be mass production items and become small batch produced products, relatively small quantities with a high degree of labor content, and it would be that part of the industry.

The countries which have made the greatest advances in that field are Germany, Switzerland, and Great Britain, and we would expect our greatest competition from those three countries.

The CHAIRMAN. How do the wages in those three countries compare with those in this country?

Mr. HANSEN. They run about a third to a fourth of the rates in this country. The latest figures we have on that obtained from the Bureau of Labor Statistics—

The CHAIRMAN. Would you read the rates in Germany and Switzerland?

Mr. HANSEN. Germany, as of May 1954, the latest available figures, 41½ cents per hour. Great Britain, 52 cents per hour in April 1945, against the United States average of \$1.90 in May 1954, which is now nearer \$2. It has since gone up. There may also have been some adjustments in the others.

You will recall that the negotiations of the 1,200 items that are now being negotiated with Japan, all come under section 27. If these products were made in Japan, they would be made at a rate of 26 cents per hour as of 1953, according to the latest available figures from the same source.

The CHAIRMAN. What about Switzerland?

Mr. HANSEN. We don't have any exact figures on Switzerland. They undoubtedly would be very comparable with the German rates.

The CHAIRMAN. Do you have any figures on the productivity in these countries, per man, per man-day or per man-hour, as compared with this country?

Mr. HANSEN. The most authoritative study, Senator Byrd, on that was one published in January of this year by the National Industrial Conference Board, a pamphlet called, Convertibility and Foreign Trade. The source of their information was companies that produce both in this country and abroad and had similar operations. They were asked what their experience was, what their costs were here, and abroad. They published 1 case—it is a case study publication—which shows that in 3 out of 4 products, German costs were 50 to 60 percent on an overall basis of what they would be here. In the case of the fourth product German costs were approximately 95 percent of our cost of production. In the case of these products cost of production includes not only labor but materials and overhead and power and buildings and everything else, complete cost.

The CHAIRMAN. That includes the investment per man?

Mr. HANSEN. That is right; yes, sir.

The CHAIRMAN. Repeat that now. Repeat the figures.

Mr. HANSEN. The averages ran from 50 to roughly 95 percent, but in the case of 3 out of 4 products the average cost of production in Germany was between 50 and 60 percent of all cost of production on an overall basis of American costs, all costs included.

The CHAIRMAN. That includes the taxes, I assume, on everything.

Mr. HANSEN. I believe everything is included.

The CHAIRMAN. Depreciation, investment, et cetera?

Mr. HANSEN. There are some other figures on that subject included in the House report. I happened to be present and heard Mr. Queeny, chairman of the board of Monsanto Chemical Co.—and he placed in the record actual figures from their operations abroad and over here.

The CHAIRMAN. What is the tariff on a comparative basis? Could you link the tariff up with this 50 percent of cost?

Mr. HANSEN. We are trying to find out if we can now survive under the present tariff. We are running into difficulty on some products.

The CHAIRMAN. I am speaking of the present tariff.

Mr. HANSEN. On an overall basis, we can probably get along on present tariff rates.

The CHAIRMAN. Take 50 percent of the domestic cost as the cost abroad, add the cost of transportation; how do you stand then?

Mr. HANSEN. The best index we have on that is how we are getting along on today's market. There have been very large inroads made in our market. In just one field of intermediates that I referred to, the imports have trebled in a period of 3 years, so we know that foreign producers of those products are able to enter our market under present costs and present tariff rates. Our feeling is that before further decreases are made, we should know what our experience will be under present rates. We primarily want more time here before we have to face further decreases.

The CHAIRMAN. You don't object to reasonable competition?

Mr. HANSEN. No, sir.

The CHAIRMAN. The high tariff is like a stone wall. You want a reasonable chance to survive.

Mr. HANSEN. That is true.

The CHAIRMAN. Can you survive under the existing tariff?

Mr. HANSEN. We can in a good many cases. You have to go through an independent investigation on an individual product or a group of closely related products to know how you can come out. That is the kind of procedure and protection we think we would get if our recommendations regarding amendments to the peril point and escape clause were adopted. The two problems that have occurred are a lack of understanding and agreement as to what constitutes an "industry" and "serious injury." If "industry" includes, as applied to the chemical industry, all the big installations and mass producers like the one in Hopewell, to which you referred, of big tonnage items, that would mean that the industry would show profits on an overall basis, but it wouldn't prevent us from suffering very serious injury in an entirely different segment of the business, and eventually seeing that end of the business die.

The CHAIRMAN. Are your objections advanced because of the liberalization in this proposed law, or do you object to the existing law?

Mr. HANSEN. It is a cumulative effect of a number of things. We are experiencing very serious effects from imports right now. Added to that, reductions on over 1,200 intermediates are now being negotiated with Japan. The supplemental list of products for reduction in negotiation with Switzerland, on a compensatory basis, for which we would not get any reciprocal advantage at all, includes a great number of dyes, one whole basketful of dyes, which number in the hundreds. By the time we add all of those together, negotiations under the present law hit at the heart of the organic chemistry industry.

The CHAIRMAN. It seems to me your paper has very clearly pointed out the fashion in which this new legislation liberalizes the existing laws. I understand that you think the existing tariff treaties and those to be made are going to be harmful, considering the peril point feature.

Mr. HANSEN. If the escape-clause and peril-point provisions and section 2 of the 1954 law were all amended so that the industry which would be protected would be the individual industry or segment of an industry producing a specific product or group of closely related

products, and didn't take in the entire "industry" in its broadest sense, and if the "injury" concept were defined, as some of the witnesses have indicated here earlier today, so we didn't have to become bankrupt in order to qualify for relief, then we think we would have adequate protection in going through the Tariff Commission and having it make the findings of how reductions could safely be made. It is a fact that their opinions have been disregarded in some cases and that the members of the commission have been unable to agree in others. That is what gives us the trouble.

The CHAIRMAN. Thank you very much.

Senator Millikin, do you have any questions?

Senator MILLIKIN. No questions.

The CHAIRMAN. Senator Malone.

Senator MALONE. Mr. Hansen, I listened very carefully to your testimony. I think you made a very clear statement. Your danger comes from judgment being exercised over your entire industry by people clearly not able to judge; in other words, not on a principle at all, but on a setup under the 1934 Trade Agreements Act, so that these additional factors can be included in judging whether a trade agreement should be made or not. That has nothing to do with continuity of your industry. You can take into consideration the overall economic good. You can take into consideration the condition of the foreign nations, the political implications, and have nothing to do whatever with the survival of your industry.

Mr. HANSEN. That is possible; yes, sir.

Senator MALONE. Isn't it probable under the present law?

Mr. HANSEN. In certain areas, that has already happened.

Senator MALONE. That is what I gather from your testimony, and naturally it is within the purview of the law.

Mr. HANSEN. That is true.

Senator MALONE. The President is clearly within his authority to lower a duty on any product for a reason entirely removed from your well-being.

Mr. HANSEN. That is true.

Senator MALONE. Is that one of the things to which you object?

Mr. HANSEN. Yes, it is. We feel that the escape-clause proceeding, the peril-point proceeding and the 1954 amendment should all be strengthened to preclude that.

Senator MALONE. How would you strengthen that if you still leave it to the judgment of the President, of course, technically, but really the State Department, who has its eye on foreign negotiations for the most part? How would you strengthen it unless you had it subject to approval by the Congress of the United States?

Mr. HANSEN. I think that would be a very good solution. That is one of the suggestions that was offered this morning, as I understand it. I didn't see the detail of it, but we would be perfectly willing to see that occur. If the escape-clause and peril-point finding were made and the President did see fit to disregard it, and then his proposal would have to be presented to the Congress for concurrence, we would abide by that procedure.

Senator MALONE. Wasn't that what the Congress was trying to do, to get away from any arbitrary assassination of an industry when they passed the 1930 tariff law laying down a principle of fair and reasonable competition, and saying specifically that the only method they

had of determining what the duty should be; that is, the Tariff Commission, an agent of Congress, would be on the basis of the difference of cost here and the cost in the chief competing countries?

Mr. HANSEN. That could well be the intention. I haven't gone into the history of the 1930 act.

Senator MALONE. We don't have to go into the history of it. I don't mean to imply any question that that was their intention. That was what it said.

Mr. HANSEN. The substance of it says that.

Senator MALONE. It says it in so many words, that they shall determine the difference in the cost of a product in this Nation and the cost of a like or similar article in the chief competing nation, and recommend that to be the tariff. That is exactly what it says.

Mr. HANSEN. That is what the act provides; yes, sir.

Senator MALONE. That would satisfy you, wouldn't it?

Mr. HANSEN. It would be one alternative. We hadn't looked at it in that light. We hadn't gone back through it. I am reflecting the point of view of other people.

Senator MALONE. I understand that; but we are considering here not only when this act is worded as it should be, if we are going to pass it, but whether or not we are going to pass it, understanding if we do not extend the act which has been extended from time to time every 3 years for a while, and then in 1951 for 2 years and in 1953 for 1 year and in 1954 for 1 year, regardless of the Randall Commission report, now it is being considered to pass it for 3 years or 1 year or at all.

There will be some opposition to passing it all.

If you had your way about it, would you rather have it on the basis of principle in the Tariff Commission, an agent of Congress, or have it, as it is, under the 1934 Trade Agreements Act, and this H. R. 1 doesn't change this one provision, that it is transferred and left to the judgment of one man, arbitrary judgment with these other factors considered if he wants to consider them.

Mr. HANSEN. I don't believe I am in a position today to say which one I would prefer because we haven't compared them on that basis. We came down with the idea of testifying with respect to a specific piece of legislation, and this would be acceptable to us if the Senate saw fit and the House would go along with amendments along the lines we have indicated. Whether section 336 under certain circumstances would be preferable, I am just not equipped to say today.

Senator MALONE. You don't know today whether you would have a principle laid down on the basis of fair and reasonable competition and the Tariff Commission, an agent of Congress, fix the duty on that basis of fair and reasonable competition, or you would like to have it in the hands of one man, considering the factors set down in the 1934 Trade Agreements Act.

Mr. HANSEN. I don't believe that is quite the choice, because, as we would like to see H. R. 1 amended, you would have the Trade Agreements Act, but you would also have the findings made by the Tariff Commission, and that is the body that Congress established for the purpose, and it would make the final determination, and you would have the right to accept or not accept any deviations from it.

Senator MALONE. You mean the Congress?

Mr. HANSEN. The Congress, yes.

Senator MALONE. If you could not get an amendment along that line, then would you like to see the act lapse and go back under the 1930 Tariff Act on that policy.

Mr. HANSEN. If I understand your question correctly, I believe rather than have H. R. 1 in its present form, we would prefer to see the act lapse.

Senator MALONE. Then any products on which there had been no trade agreements would revert to the Tariff Commission on that principle and where there were trade agreements, whenever the President saw fit to ask for the cancellation of the trade agreement requested within a certain time, it reverts to the Tariff Commission, then wouldn't you be on the principle you are outlining?

Mr. HANSEN. That would be one way to get there.

Senator MALONE. That is the principle you would like to see, one way or another.

Mr. HANSEN. The principle would be quite acceptable. That is the objective. Ultimately we would like to have, as you put it earlier in one of your questions, an equalizing tariff. If we could get a tariff that would equalize costs abroad and domestic costs, we could compete on an even basis with our domestic competitors and our foreign competitors.

Senator MALONE. That is about all anybody wants. We hear special articles written that there are high tariffs and low tariff advocates. I don't know any high tariff advocates. They just want that differential equalized continually. Under the 1930 Tariff Act it can be brought up at any time whenever it is found that there is an economic relationship that has been changed. Then an adjustment could be made. That is the principle there adopted.

Mr. HANSEN. We would like that.

Senator MALONE. What is it that makes you able to secure new money to go into an industry? When you have money in an industry you try to save yourself in any way you can to save the investment. That happens in any industry that is in danger. Isn't the principle we have just outlined something that would make it more feasible to secure money for a new industry because you could say foreign competition was going to be equalized by the duty?

Mr. HANSEN. We have obtained some money under existing law, so it wouldn't necessarily be vital, I think, to return to section 336 for that purpose. It would depend, of course, upon the individual products involved and how vulnerable you were to foreign competition, but certainly you have to be able to demonstrate to the satisfaction of an investor that it is a sound proposition, and you would have an opportunity to make money in order to attract his money.

Senator MALONE. Under the present situation any industry in this Nation that needs a duty to equalize that difference in cost is vulnerable, is it not?

Mr. HANSEN. That is true.

Senator MALONE. Under the other situation, it would only be through a mistake in calculation or in some miscarriage of the principle that you would be in danger. At least you have the principle to rely on.

Mr. HANSEN. That is correct.

Senator MALONE. Now you talk about mothballing the industrial machinery. What about the trained men in the business? Are there

trained men and employees in this business who it takes a considerable time to become proficient in their jobs?

Mr. HANSEN. Yes. The areas in which we are most vulnerable have the highest skills, I believe, of those found in the chemical industry, highly skilled, technically trained men, many of them having spent years in college in graduate work to prepare themselves for it.

Senator MALONE. In research?

Mr. HANSEN. That is right.

Senator MALONE. In business experience?

Mr. HANSEN. That is true.

Senator MALONE. To make it work?

Mr. HANSEN. Yes.

Senator MALONE. What becomes of these men if these industries' production is decreased through foreign competition that you are unable to meet and so have to go out of business?

Mr. HANSEN. They would just drift away, I suppose, and do the best they could to find some livelihood, but one of their prime objectives would be a job that had some security where they could go and feel they could stay for a while. They wouldn't want to drift in and out. If we lost them today, they wouldn't be available to us tomorrow. As a matter of fact, we have a very acute shortage of scientific trained people right now. The industry is very badly handicapped for that reason. We are terribly concerned about where we will be 2 or 3 or 5 years from now. There are not enough students now interested in chemistry, chemical engineering, and physics in high school. Unless they are interested now, they may not be 2 or 3 years from now in college.

Senator MALONE. How long does it require to produce a good chemical engineer and where does he start?

Mr. HANSEN. Usually his interest starts in high school. Unless it starts there, we have very great difficulty in persuading him to take up the scientific profession later. The basis is mathematics. Unless he gets 2 or 3 or 4 years in mathematics in high school, he isn't equipped for chemistry and chemical engineering in college work. We have to plant the seed early. We haven't yet learned how to do it. We are struggling every day to find ways of interesting prospective scientists to take up the study.

Senator MALONE. Isn't one way to kindle an ambition—a lot of it is kindled through the parents and through example and through talk the boy hears—isn't one way to kindle it the general conclusion that the industry is a safe industry, and that after college and a couple of years of postgraduate work he has a lifetime career ahead of him?

Mr. HANSEN. That is true.

Senator MALONE. Isn't that the only way?

Mr. HANSEN. Yes. Unless we can create the impression sincerely that opportunity is available for a lifetime, then people wouldn't take up the work. They would go into another field.

Senator MALONE. As a matter of fact, in nearly all these industries—I have listened to the testimony today about heavy power machinery, hydraulic machinery, where the machinists must train for years—isn't that the case in nearly all of these jobs, that a person must have at least, to his way of thinking, reasonable assurance that when he graduates from school or if he doesn't graduate, if he is a mechanic, finally after 4 or 5 years' experience that he is reasonably

sure he can settle down and raise a family and look forward to a life of hard work; isn't that what makes him do it?

Mr. HANSEN. I think you have stated it very well.

Senator MALONE. Do you think it is very much of an encouragement to hear these industries coming down every year fighting for their lives before a congressional committee to try to persuade Congress not to decapitate them in some way? Do you think that is very much encouragement to a young man to go into the business?

Mr. HANSEN. I do not. That is a very poor approach to the problem.

Senator MALONE. Haven't we done it now for 21 years? Isn't this the 21st year?

Mr. HANSEN. I haven't been in this work that long, but it has happened too frequently.

Senator MALONE. And it has been testified to several times today, and I get from your testimony that you had the same experience that, with a couple of wars and preparation for war, you had a very short time in the last 10 or 15 or even 20 years, when you call it an average time of existence of an industry on its own feet, standing on its own feet. There have been wars, preparation for war and special contracts, special tax concessions, and loaning money to the business and special contracts. It is pretty hard to tell just where you stood, isn't it?

Mr. HANSEN. That is true. We seem to go from crisis to crisis.

Senator MALONE. That is exactly right, for 21 years, from crisis to crisis. Then isn't it about the only thing you can do, to sit down in the cool of the evening and think it through, using a little commonsense, as to what would be the reasonable protection of an industry if we didn't have a crisis to ride on for a while? Wouldn't it be a little commonsense conclusion some place along the line that maybe what was used in 1930, when we had a principle upon which we could rest, would be better than to have it in the hands of one man, however experienced he might be, who could almost overnight destroy the business or make the industrial map of the country different?

Mr. HANSEN. It would certainly have virtues, Senator, but I don't feel I am competent to look at it from that overall standpoint and decide that that would be the best way to do it. There are many other problems. We in the chemical industry are very conscious of the fact that there are many other situations that have a bearing on this problem, and I am not certainly equipped today to say that would be the best approach to it.

Senator MALONE. Do you think anybody is equipped, any one man is equipped to take into consideration all of the meshing of the economic factors in the United States of America and say that one industry ought to be decreased and another increased through the sale of foreign products in the country, so a country can secure money to buy something else? Do you think anyone is qualified to do that?

Mr. HANSEN. I think one of the great virtues of our country is that no one man has to do that, that we can shake our opinions down in an open forum under the democratic process, as we do here today. We rely upon you and the fellow members of the committee to give us that guidance.

Senator MALONE. I would point out that we did have a system like that, but under the system under which we have been operating

for 21 years, and which we are considering today whether we will extend or not, there is no one outside the executive department of Government who sits down and judges whether or not you are producing something that could be better produced abroad, regardless of the economic considerations. You realize that is the situation under law we have now, don't you?

Mr. HANSEN. I guess that is true. I hadn't thought of it in that light.

Senator MALONE. No one has any more confidence in the integrity of the President of the United States than I do. I don't think there is any human being or group who can judge the entire economy of a nation and the entire economy of the whole world and the meshing of these economies and can pass on the situation in that manner.

Mr. HANSEN. We share the confidence you have in the President, Mr. Senator.

Senator MALONE. Of course you do.

There were three branches of Government at one time—the executive, the legislative, and the judiciary branch to judge whether we operate within the Constitution or not. The legislative branch under article I, section 8, is charged specifically with the responsibility of setting these duties, imports, and excises and to regulate foreign commerce and foreign trade. We call those duties tariffs or import duties. Section 336 of the Tariff Act passed by the Congress laid down that principle of fair and reasonable competition and gave them only one method of proceeding, and that was to determine the difference in the cost of production in this Nation and the cost of production in the chief competitive nation on each product, not the overall benefit of the chemical industry, but on each of your chemical products. There are more than 5,000 of these products altogether. Then they would recommend that to be the tariff, and wouldn't that be the fairest way to do it?

Mr. HANSEN. That certainly would be one way to do it. I am not prepared to say that that would be the best way. Whether it would be more complicated or not, I don't know.

Senator MALONE. There may be a better way, but that better way would not be to leave it in the judgment of one man to consider all the political factors all over the world and the overall economic situation of the Nation, would it?

Mr. HANSEN. On the basis we have recommended here, it wouldn't be left to the judgment of one man. The initial study would be made under the Tariff Commission, just as it might under 336, and the Commission would determine how far any product could be reduced, and they wouldn't have to examine the entire list and write a whole schedule. They could consider it in terms of a group of related products, and they could make the determination, and if the President felt, in his best judgment, that he had some other information that he didn't feel at liberty to disclose to the world, that he had an ample reason to take a different point of view, I wouldn't want to differ with him. If he then submitted a report to the Congress and explained in ways that he could tell you why he took that action, I certainly would abide by it.

Senator MALONE. In other words, even if his action in destroying this particular section of the industry was based on some interna-

tional, political consideration or the overall best interests of the economy of the Nation, as he considered them, you would be satisfied.

Mr. HANSEN. Well, you put a tough case.

Senator MALONE. It is no tougher than actual reality.

Mr. HANSEN. When you refer to the destruction of an industry, if we got that far I think we would get an adequate hearing. If we didn't get the hearing that satisfied us before the Tariff Commission, or we didn't get the ear of the President, I'm sure we could get the ear of the Congressmen and Senators in connection with protection.

Senator MALONE. You can get our ear. We are talking now about an act which we are considering extending, and if we do extend it, then it remains in the executive department. Then these trick organizations, like GATT and the organization just recently formed under a resolution passed by the United Nations Assembly—another world-trade organization—will meet each year and determine what to do with the market and consumption and all these side issues. If you go back to the principle, then we are not in that pot, and when we are not in the pot, there is no game.

Therefore, you don't have these 40 or 50 nations that have these low-wage rates, as has been very adequately explained, with their mouths watering to divide the markets of the United States. It would be done then on a principle of fair and reasonable competition, which you seem to agree would be adequate.

Mr. HANSEN. That is all we ask for.

Senator MALONE. Thank you.

Senator MILLIKIN. Mr. Chairman.

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. If the present system should be extended, do you think the amendments you offered would offer you protection?

Mr. HANSEN. We would be satisfied, Mr. Millikin.

Senator MALONE. Then one more question. If you do not get the amendment, you would be opposed to the extension, would you?

Mr. HANSEN. I believe so. We might have to take another look at it. But if I have to answer yes or no today, I believe I would prefer to see the trade-agreements program perhaps lapse rather than to see H. R. 1 without any change. That is my best judgment today.

Senator MALONE. I was going to ask you one more question here. You do use a mineral called fluorspar in some of your chemicals, don't you?

Mr. HANSEN. Yes; we do.

Senator MALONE. You are familiar with what happened to it? The tariff was reduced. In Illinois and other Western States where they produce fluorspar, companies went out of business, and fluorspar is being imported now. If you use it in chemicals, are you aware of the effect nonproduction of this material in the United States might have in critical times?

Mr. HANSEN. It is a very important chemical. We own mines in California, Colorado, and New Mexico for the production of fluorspar.

Senator MALONE. How are you getting along in California with your mine?

Mr. HANSEN. We haven't opened that up. We are holding that in reserve, sort of.

Senator MALONE. Do you think you could under the present situation?

Mr. HANSEN. The taxes are very low. We can hold it for quite a while.

Senator MALONE. You can hold it, but how would you operate it under the present situation as far as the tariffs or duties are concerned?

Mr. HANSEN. I don't believe we would under present circumstances. That is why the property is idle. We have surveyed the property. We are not operating it because it is not the most profitable thing to do.

Senator MALONE. Isn't the reason that Illinois properties and other properties in other States have closed down the same reason?

Mr. HANSEN. I would think so. Also, the arrangement on the fluorspar tariff schedule, where the more expensive the material, the lower the rate of duty is quite an unusual thing. I have never seen that as applied to any other product.

Senator MALONE. Who made that trade agreement?

Mr. HANSEN. I don't know. I know very little about that.

Senator MALONE. Wasn't it the same situation that we are about to extend here under which it was made?

Mr. HANSEN. Except we would have, in my opinion, 2 or 3 safeguards that we did not have at the time that occurred.

Senator MALONE. If they took your amendments?

Mr. HANSEN. Yes.

Senator MALONE. I understand that you think it might help, but I only brought out the situation of fluorspar because there are 5,000 other products that are practically in the same situation, and which would be forced into the same situation very easily. They have plenty of authority to do it. The lead and zinc mines, most of them, are on the street. It is much cheaper to send the stuff in than it is to do anything else about it, and it looks very reasonable to someone in a tall building in New York where they can look out of the office building toward Europe, Asia, and Africa easier than they can the States west of the Hudson River. It looks very reasonable to them and to the State Department, without doubt. I wanted to bring that out as one shining example. I think your answer has been correct.

The CHAIRMAN. Thank you very much. You have given excellent testimony, and you have been very frank.

The next witness is Mr. E. M. Norton, secretary, National Milk Producers Federation.

STATEMENT OF E. M. NORTON, SECRETARY, NATIONAL MILK PRODUCERS FEDERATION, ACCOMPANIED BY M. R. GARSTANG, GENERAL COUNSEL, NATIONAL MILK PRODUCERS FEDERATION

Mr. NORTON. Mr. Chairman, members of the committee, I am E. M. Norton, secretary of the National Milk Producers Federation, 1731 I Street NW., Washington, D. C.

The National Milk Producers Federation is a national farm organization. It represents nearly half a million dairy farm families and some 700 or more dairy cooperatives which they own and operate.

In terms of volume, about one-fifth of the milk sold from farms in the United States is marketed through these cooperatives. They process and market practically every form of dairy product produced in this country.

The federation represents primarily the viewpoint of dairy farmers. Our bylaws require at least 75 percent of our board of directors to be active dairy farmers.

The annual membership meetings of the federation are attended by dairy leaders from all sections of the United States. At these meetings national issues affecting dairy farmers are considered, and resolutions are adopted reflecting the aggregate views of the dairymen.

Our purpose in appearing before this committee is to present for the information and consideration of Congress the views and desires of dairy farmers as expressed in these resolutions.

DOMESTIC AGRICULTURAL PROGRAMS

This country is committed to a high standard of living, a high price level, high wage rates, and to the maintenance of agricultural prices at levels which will protect the purchasing power of farmers.

This results in an economy which in this country is in some respects above the general world level. For example, the domestic prices for many agricultural commodities are substantially above world price levels. As long as this condition exists, it is necessary for us to maintain effective import controls and to retain the right to sell in world markets at competitive world prices regardless of the fact that such prices may be lower than the domestic price.

Our national foreign trade policies should recognize these facts, and no trade agreement should be authorized which would impair these important rights.

We never have asked that dairy farmers be paid high prices. We have asked only that the prices which farmers receive be reasonably and fairly related to the cost of things that farmers buy. That is the theory of parity. It is the basis of our agricultural segment of our economy.

Although the purchasing power of dairy farmers is now maintained at only 75 percent of parity, our domestic price support level is still substantially above world prices, enough so that strict import controls are essential to prevent imported world surpluses from further complicating our own surplus problems.

Our testimony before the House Ways and Means Committee was directed primarily to the need for protecting our domestic agricultural programs against imports under section 22 of the Agricultural Adjustment Act. H. R. 1 as originally introduced would have authorized the President by proclamation to put trade agreements into effect in a manner inconsistent with existing law. It thus posed a serious threat to section 22.

An amendment to section 3 of the bill directed to this objection was recommended by the Secretary of Agriculture and accepted by the House Ways and Means Committee. The bill as reported and as passed by the House contains the amendment.

This amendment is most important to the agricultural economy of the United States. We urge you most earnestly not to let its effectiveness be impaired in any way in the Senate.

In line with the request of the committee, I will not repeat here the arguments made before the Ways and Means Committee in support of section 22. But I do want to emphasize the importance of the amendment and the necessity for retaining it.

FUTURE LEGISLATION SUBSERVIENT TO THE TRADE AGREEMENTS

There is one aspect of this amendment which we believe should be further clarified.

Section 3 (a) of the bill would amend subsection (a) (1) (A) of section 350 of the Tariff Act of 1930 to provide, among other things, that provisions of trade agreements could not be put into effect in the United States in a manner inconsistent with existing legislation of the United States.

Section 3 (c) of the bill would amend subsection (c) of section 350 of the Tariff Act of 1930 to include the following definition:

(B) The term "existing" without the specification of any date, when used with respect to any matter relating to the conclusion of, or proclamation to carry out, a foreign trade agreement, means existing on the day on which the trade agreement is entered into.

We are concerned that the proviso when read in conjunction with the definition may only prevent trade agreement provisions from being put into effect in this country in a manner inconsistent with the legislation of the United States existing as of the date the trade agreement was entered into.

This leaves the implication that Congress would not have the right by subsequent amendment, or by subsequent legislation, to grant relief to the people of this country from a provision in a trade agreement which later proved to be unwise.

It also leaves the implication that in future legislation, Congress will be restricted by the trade agreements in the type of legislation enacted.

We believe it would be a serious mistake for Congress to make subservient to the trade agreements its right to enact future legislation. This would be particularly dangerous if an international trade organization should be set up under the organizational provisions of the revised GATT now being drafted. It would mean, in effect, that Congress would be obligated to get clearance from some 30 or 40 foreign nations before enacting legislation affecting foreign trade.

We recommend, therefore, that the bill be further amended to provide that no provision of a trade agreement shall be given effect in or by the United States in a manner inconsistent with the legislation of the United States.

This would be a clear notice to other contracting nations that Congress still retains ultimate control over the international trade of the United States. Trade agreements which are sound would have nothing to fear from such control. It obviously is most important that Congress retain the right to correct those which may prove to be unsound.

This is a matter which vitally affects the welfare and jobs of the American people. In fact, the whole economy of this country is at stake. Surely it cannot be argued, in a matter of such great importance, that Congress should circumscribe its rights and, in effect, by tying its own hands render itself impotent to grant relief if subsequent developments should prove a trade agreement provision to be unwise. Yet it is what we fear H. R. 1 would do. We realize of course that Congress could disregard the trade agreements, but Congress ought not to put itself in a position where that would be necessary.

Unless it is contemplated that the effects of the trade-agreements program will be so unfortunate that Congress will need to act, then there should be no objection to the Congress being left free to act.

If this limitation on the power of Congress indicates that revised trade agreements may contain provisions which Congress would not accept, or if it implies that Congress cannot be trusted in such matters, then there is all the more reason why Congress should not relinquish the reins in such a manner that it cannot later pick them up. If none of these possibilities are contemplated, then there should be no objection to removing from the bill any possible doubt as to this limitation on the right of Congress to act.

PRACTICAL PROBLEMS ARE INVOLVED

We are not advancing a theoretical argument. The provision in H. R. 1 making future legislation subservient to the trade agreements presents practical and immediate problems. We fear it will present even more serious ones in the future.

For example, the General Agreements on Tariffs and Trade—which Congress has not recognized heretofore but which this bill would in effect approve—was entered into in 1947. It contains restrictions on import quotas, foreign nations are demanding that we discontinue the use of agricultural import quotas to protect our domestic agricultural programs.

Agricultural import controls are currently being applied under section 22 of the Agricultural Adjustment Act and under section 8 (e) of the Agricultural Marketing Agreement Act of 1937.

Section 22 has been amended since 1947 so that it was not existing legislation in its present form in 1947. Section 8 (e) of the Agricultural Marketing Agreement Act of 1937 applicable to imports of certain fruits and vegetables was enacted only last year and therefore was not existing legislation in 1947.

If H. R. 1 is passed in its present form and the general agreement is ratified, the least we can expect is a troublesome argument from foreign nations that are trying to tear down our agricultural import quotas.

Examples of future legislation that would be impeded by this proposal to limit the right of Congress are the two-price agricultural programs being considered for such commodities as wheat, rice, and dairy products.

Obviously, no such farm program enacted in the future would be "existing legislation" at the time GATT, or the revised GATT, was entered into. Foreign nations already are complaining that such programs would contravene the provisions of GATT. If Congress enacts them, they say, the United States will be breaking its international agreements. But since Congress so far has not ratified or recognized GATT, these arguments at the moment do not have much weight except in administrative circles. However, H. R. 1 contains an implied ratification of GATT. Once Congress recognizes this agreement, the prohibition against the use of two-price systems will be a serious matter.

Congress will be faced immediately with a restriction on its right to enact domestic agricultural legislation—if it makes its rights sub-

servient to the trade agreements by enacting H. R. 1 in its present form.

THE DURATION OF TRADE AGREEMENTS IS NOT LIMITED

Unless the trade agreements are made subservient to the will of Congress as expressed in future legislation, Congress will find itself divested of the right to act in important matters of international trade for the duration of a term, the length of which it does not know.

By enactment of H. R. 1 in its present form, Congress would say to the President, in effect, and through him to the State Department—you are authorized to commit the United States to foreign-trade agreements which regulate our international trade and to apply them in this country in a manner inconsistent with any legislation we may subsequently enact. You have 3 years in which to get the agreement signed, but there are no limits whatever on the length of the term of the agreement. You may commit us for a term of 3 years, 5 years, 25 years, or any other term you wish.

Of course, the Congress later could terminate or restrict the power to make further agreements, but that would not undo the agreements already made. One of the objectives of foreign nations is to bind the United States against any congressional change in our foreign policy for a long period of time. Suggestions have been made for a 5-year or 4-year extension of the trade agreements power. The danger does not lie in the number of years for which the power is extended, but in the length of the term of the trade agreement entered into and in the fact that the right of Congress to enact future legislation affecting foreign trade would be made subservient to the trade agreement.

H. R. 1 contains a specific authorization to the President to commit the United States to GATT, or to a revised GATT the terms of which Congress has never seen.

The CHAIRMAN. Will you point that out in the bill?

Mr. NORTON. Yes, sir.

The CHAIRMAN. Section 2?

Mr. NORTON. Section 3.

The CHAIRMAN. Will you read it?

Mr. NORTON. This is Mr. Garstang, attorney. May he read that?

The CHAIRMAN. Mr. Garstang, will you read that section?

Mr. GARSTANG. Yes. It is in the new language which would be added to the proposed subsection (a) of the Trade Agreements Act.

The CHAIRMAN. What page?

Mr. GARSTANG. Two, beginning on line 20. The present language in the bill is:

(a) To enter into foreign-trade agreements with foreign governments or instrumentalities thereof—

from there on it is new language—

containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nation standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing.

The CHAIRMAN. And the proviso.

Mr. GARSTANG (reading) :

Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States: Provided further, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under this section.

And then, (b) follows, about putting in effect by proclamation.

The CHAIRMAN. Is that not what you recommend at the top of page 4 of your statement?

Mr. GARSTANG. No.

Mr. NORTON (reading) :

* * * no such provision shall be given effect in the United States in a manner inconsistent with legislation of the United States.

The CHAIRMAN. Is that not:

Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States?

Mr. GARSTANG. In the proviso, we think the danger there is in the word "existing" which, when you read it in connection with the definition of "existing" further back in the bill, makes it as of the date the trade agreement is entered into and we would like to see the word "existing" taken out so that the trade agreement cannot be applied any time in contravention of the existing legislation of the United States.

The CHAIRMAN. If in the proviso "existing" were deleted, that would cover the recommendation you make at the top of page 4?

Mr. NORTON. That is right.

The CHAIRMAN. Of the statement.

Mr. GARSTANG. Well, we are still concerned with the new powers in that subparagraph A which authorizes specifically putting into a trade agreement the things which are in GATT.

The CHAIRMAN. Did you treat more fully the reason you want that done?

Mr. NORTON. In the statement, yes, sir.

The CHAIRMAN. Well, I would like for you to state specifically in the record exactly why you think this new language should be deleted. Is that what you want done?

Mr. GARSTANG. Yes, sir.

Mr. NORTON. Yes, sir.

The CHAIRMAN. And do you cover that?

Mr. NORTON. Later on we cover it, maybe not as completely as you would like, but certainly we can do that.

The CHAIRMAN. I would like for you to do that and have a special memorandum if you have not already covered it, as to why you think it should be deleted. I think there is a good deal of merit in it. If GATT should be approved, it should not control or have precedence over these reciprocal trade agreements or add any additional power. I have not had a chance to study that.

I would like to have all the information possible in regard to this statement you have submitted.

Mr. NORTON. Well, we have covered it a little more, further on in the statement, Senator, but we certainly would be happy to broaden the base in a memorandum to you.

The CHAIRMAN. Yes; I wish you would do that.
(The information requested is as follows:)

FUTURE LEGISLATION SUBSERVIENT TO THE TRADE AGREEMENTS

There is one aspect of this amendment which we believe should be further clarified.

Section 3 (a) of the bill would amend subsection (a) (1) (A) of section 350 of the Tariff Act of 1930 to provide, among other things, that provisions of trade agreements could not be put into effect in the United States in a manner inconsistent with existing legislation of the United States.

Section 3 (c) of the bill would amend subsection (c) of section 350 of the Tariff Act of 1930 to include the following definition: "(B) The term 'existing' without the specification of any date, when used with respect to any matter relating to the conclusion of, or proclamation to carry out, a foreign trade agreement, means existing on the day on which the trade agreement is entered into."

We are concerned that the proviso when read in conjunction with the definition may only prevent trade-agreement provisions from being put into effect in this country in a manner inconsistent with the legislation of the United States existing as of the date the trade agreement was entered into.

This leaves the implication that Congress would not have the right by subsequent amendment, or by subsequent legislation, to grant relief to the people of this country from a provision in a trade agreement which later proved to be unwise.

It also leaves the implication that in future legislation, Congress will be restricted by the trade agreements in the type of legislation enacted.

We believe it would be a serious mistake for Congress to make subservient to the trade agreements its right to enact future legislation. This would be particularly dangerous if an international trade organization should be set up under the organizational provisions of the revised GATT now being drafted. It would mean, in effect, that Congress would be obligated to get clearance from some 30 or 40 foreign nations before enacting legislation affecting foreign trade.

We recommend, therefore, that the bill be further amended to provide that no provision of a trade agreement shall be given effect in or by the United States in a manner inconsistent with the legislation of the United States.

This would be a clear notice to other contracting nations that Congress still retains ultimate control over the international trade of the United States. Trade agreements which are sound would have nothing to fear from such control. It obviously is most important that Congress retain the right to correct those which may prove to be unsound.

This is a matter which vitally affects the welfare and jobs of the American people. In fact, the whole economy of this country is at stake. Surely it cannot be argued, in a matter of such great importance, that Congress should circumscribe its rights and, in effect, by tying its own hands render itself impotent to grant relief if subsequent developments should prove a trade-agreement provision to be unwise. Yet that is what we fear H. R. 1 would do. We realize of course that Congress could disregard the trade agreements, but Congress ought not to put itself in a position where that would be necessary.

Unless it is contemplated that the effects of the trade-agreements program will be so unfortunate that Congress will need to act, then there should be no objection to the Congress being left free to act.

If this limitation on the power of Congress indicates that revised trade agreements may contain provisions which Congress would not accept, or if it implies that Congress cannot be trusted in such matters, then there is all the more reason why Congress should not relinquish the reins in such a manner that it cannot later pick them up. If none of these possibilities are contemplated, then there should be no objection to removing from the bill any possible doubt as to this limitation on the right of Congress to act.

RATIFICATION OF GATT

H. R. 1 contains a specific authorization to the President to commit the United States to GATT, or to a revised GATT, the terms of which it has not seen.

In effect Congress would say to the President: Instead of Congress directly ratifying GATT, or the revised GATT now being negotiated, we authorize you to do it for us and in our name.

This authorization appears in the proposed subparagraph designated (A) which begins on page 2, line 20, of the bill. This is the provision defining the President's power under the Trade Agreements Act.

H. R. 1 as it presently stands would rewrite the grant of power to read as follows (italic added):

"(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof *containing provisions with respect to international trade, including provisions relating to tariffs, to most-favored-nations standards and other standards of nondiscriminatory treatment affecting such trade, to quantitative import and export restrictions, to customs formalities, and to other matters relating to such trade designed to promote the purpose of this section similar to any of the foregoing: Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States: Provided further, That the enactment of the Trade Agreements Extension Act of 1955 shall not be construed to determine or indicate the approval or disapproval by the Congress of organizational provisions of any foreign trade agreement entered into under this section.*"

That part of the above provision not italicized is the exact wording of the present law. The italicized part is new language which H. R. 1 would add to the present grant of power.

The General Agreement on Tariffs and Trade contains, and the revised GATT, we understand, will contain, provisions relating to standards of nondiscriminatory treatment, to quantitative import and export restrictions, to customs formalities and to other matters similar thereto. These are the substantive provisions of GATT which undertake to regulate our foreign trade rather than to reduce tariffs. They are the provisions which Congress so far has refused to recognize or ratify.

When the new wording contained in the grant of power in H. R. 1 is carefully examined in relation to the present law, and in relation to the provisions of GATT, it appears quite clear that H. R. 1 would authorize a ratification of GATT or the execution of a revised GATT.

We believe this power will be used to ratify indirectly the important substantive provisions of GATT, or the revised GATT, such as the restrictions on the use of agricultural import quotas, restrictions on future legislation setting up two-price agricultural programs, restrictions on the quality and sanitary standards of our imports, and customs simplification. Then only the relatively unimportant organizational provisions of GATT will be submitted to Congress for direct approval.

Congress is being asked to commit itself and the United States—through the enactment of H. R. 1 in its present form—to all of these important and far-reaching regulations of our international trade, without holding any hearings on the substantive part of the revised agreement and without even knowing in advance the terms of its provisions.

The significance of this provision of H. R. 1 is appalling when it is considered that Congress has steadfastly and consistently refused to recognize or approve the original GATT—the terms of which it does know—and that the ITO Charter containing the same substantive provisions as GATT was killed by Congress.

We do not believe that Congress should approve directly or by implication the revised GATT until its terms are known nor until hearings have been held to explore its effect upon the American people and the American economy.

We recommend therefore that H. R. 1 be amended to take out of section 3 the authorization to enter into GATT-type trade agreements. A proposed amendment is attached.

Beginning on page 2, line 20, and continuing through line 12 on page 3, strike out the proposed subparagraph (A) and insert the following:

"(A) To enter into foreign trade agreements with foreign governments or instrumentalities thereof: *Provided, That no provision in any such agreement shall be given effect in or by the United States in a manner inconsistent with the legislation of the United States; and*"

On page 11, after line 21, add a new section as follows:

"Sec. 5. The enactment of this act shall not be construed to determine or indicate the approval or disapproval by Congress of the executive agreement known as the General Agreement on Tariffs and Trade nor of any agreement which is a revision of or substitution for such agreement."

Mr. NORTON. I will return to my prepared statement.

Surely Congress—and in particular the members of this committee—have not forgotten the promises made by the State Department to this committee in 1947. These were, in effect, that the provisions of the ITO Charter would not be put into effect in this country without submitting it to Congress for approval. In spite of these assurances, practically all the provisions of the ITO Charter were incorporated in GATT, and an attempt was made to apply them in that manner without congressional approval. Congress has never been permitted to act on GATT. The ITO Charter itself was withheld from Congress for several years. When it was later presented, it did not have sufficient appeal to get out of committee.

Negotiations are presently being conducted to revise GATT. Only the organizational provisions of the revised GATT are to be submitted to Congress. This means that Congress will be permitted to act on only that part of the new agreement which corresponds to the old ITO organizational provisions.

The important substantive regulations of our international trade are not to be submitted to Congress. Included in the regulations which Congress apparently will not see until after H. R. 1 is passed are:

- (1) Restrictions on the use of agricultural import quotas;
- (2) Restrictions on the right of Congress to set up future two-price agricultural programs for such commodities as rice, wheat, and dairy products;
- (3) Restrictions on future quality and sanitary standards; and
- (4) Customs simplification.

Congress is being asked to commit itself and the United States, through the enactment of H. R. 1 in its present form, to all of these important and far-reaching regulations of our international trade, without holding any hearings on the revised agreement itself and without even knowing in advance the terms of its provisions.

The significance of this provision of H. R. 1 is appalling when you consider that Congress has steadfastly and consistently refused to recognize or approve the original GATT—the terms of which it does know—and that the ITO Charter containing the same substantive provisions as GATT was killed by Congress.

We do not believe that Congress should approve directly or by implication the revised GATT until its terms are known nor until hearings have been held to explore its effect upon the American people and the American economy.

We recommend therefor that H. R. 1 be amended to take out of section 3 the authorization to enter into GATT-type trade agreements.

The CHAIRMAN. Is that before the Foreign Relations Committee?

Mr. NORTON. I beg your pardon?

The CHAIRMAN. Is the GATT business before the Foreign Relations Committee now, do you know?

Mr. NORTON. They just finished an organizational meeting of GATT in Geneva on October 28.

The CHAIRMAN. Has it come before any committee of the Congress, yet?

Mr. NORTON. No, sir; it has not.

The CHAIRMAN. The chairman has to leave and I will ask Senator Malone to preside in the place of the chairman.

Senator MALONE. Mr. Chairman, what would be a reasonable adjournment hour?

The CHAIRMAN. I think that the Senator can determine that. Frankly, if he wants to ask my advice, I think that if each witness did not take an hour, it seems to me—

Senator MALONE. Well, it could, without any cross examination, but I am very much interested. For example, right here, I am interested in the information that this witness has on this reorganization of GATT and I think it is necessary to bring that out on cross-examination.

The CHAIRMAN. Yes; but there is much which has been gone over and I say with justifiable frankness, if we take an hour or more with each witness, these hearings are going late into the evenings. I do think that the GATT matter is extremely important, I agree with the Senator on that.

Senator MALONE. Well, we are going to have some more witnesses, but this is very important.

The CHAIRMAN. Well, I regret the chairman is compelled to leave. I will ask the Senator to take the chair.

Senator MALONE. Well, I was here until 8 : 30 last night, and I can do that again tonight, if it is the wish of the chairman, and we can go on unless there are some witnesses who have to catch a train or a plane.

The CHAIRMAN. You can proceed as long as you wish. The chairman is forced to leave.

Senator MALONE. There are four other witnesses scheduled. If we can make arrangements with these witnesses to come back and if that would meet with your approval—

Mr. NORTON. Senator, I would not mind winding mine up very quickly if I might put the statement into the record and just read the last paragraph.

Senator MALONE. I would like very much to learn something about this situation. Now, Mr. Chairman, I will be very happy to do this if I am to judge when to recess—

The CHAIRMAN. I think that it is proper for you to be the judge. Of course, whether these gentlemen remain is a matter entirely up to them—

Senator MALONE. I am happy to do it, of course, as you know.

The CHAIRMAN. I thank you very much for taking over the chair.

Senator MALONE. Mr. Norton, while you are on the subject, I noted that you had some notes and considerable data on this reorganization and if you could throw a little light on just what they have done, I would like to have it.

Mr. NORTON. I wish we could, Senator, but our news release which was issued March 7, states that the final communication on the results of the review session will be issued and made public March 22.

So, here we are talking about extending an act which involves this, but we are not going to know what the implication involved in the reorganization is until March 22.

Senator MALONE. Well, I could say to you, Mr. Norton, that is not an unusual situation.

Mr. NORTON. No, that is correct.

Senator MALONE. When you are dealing with such organizations, is it?

Mr. NORTON. No, sir.

Senator MALONE. Now, we are interested in the idea of getting it on the Senate floor, and no doubt they have an idea that it would be passed before March 22.

Mr. NORTON. I think that is probably right.

Senator MALONE. And probably, if it is not, and all the information is available to the Senate, it will deny it, just like it did the International Trade Organization.

Of course, I feel that if the American people had any idea just what Congress is doing and the effect of it and the import of it, that they would move in on Washington, they would not even wait for an election, I think that is about what would happen, that we would have another Coxie's army that would be twice as dangerous.

But, what is this information you have?

Mr. NORTON. It is a release, and I will submit it for the record, if you like. It is a regular service that we get.

Senator MALONE. What does it say, just the purport of it, Mr. Norton?

Mr. NORTON. I will read it:

The Department of State today announced that the ninth session of the contracting parties to the General Agreement on Tariffs and Trade, which convened in Geneva on October 28, 1954, closed today. Representatives of the contracting parties completed the review of the general agreement, which began on November 8, and the drafting of:

(1) An agreement establishing an organization for trade cooperation to administer the General Agreement on Tariffs and Trade and to facilitate consultation and study of matters relating to international trade;

(2) Amendments of the trade rules contained in the general agreement;

(3) Technical amendments of the general agreement to give effect to the transfer of its organizational provisions to the proposed new organization for trade cooperation; and

(4) A declaration extending from June 30, 1955, to January 1, 1958, the firm life of the tariff concessions previously negotiated by the contracting parties which are an integral part of the general agreement.

The text of the agreement and the Organization for Trade Cooperation and the texts of other documents will be authenticated and will be open in Geneva for signature by governments. Within a few days the Department will issue a report on the business conducted in the course of the ninth session other than the review of the GATT. A final communique on results of the review session will be issued and texts made public on March 22, 1955.

The General Agreement on Tariffs and Trade is the principal instrument through which the United States has carried out the provisions and purposes of the Trade Agreements Act. It is a multilateral trade agreement among 34 nations, including practically all major trading countries, accounting for approximately 80 percent of world trade. Negotiations looking toward the accession of Japan to the GATT are now underway.

United States participation in the review session of the contracting parties to the GATT afforded opportunity to carry out the recommendation of the President's Commission on Foreign Economic Policy that the organizational provisions of the GATT be renegotiated with a view to providing an organization to sponsor multilateral trade negotiations, to recommend broad trade policies, and to provide a forum for consultation regarding trade matters, and that the organizational provisions so renegotiated be submitted to the Congress for approval. In his message to Congress on foreign economic policy of March 30, 1954, President Eisenhower signified his intention to act promptly on these recommendations and to seek to negotiate certain revisions of the trade rules of the general agreement to provide a simpler and stronger instrument.

The decision was made by the contracting parties in October 1953 to convene a session in the fall of 1954, "to review the operation of the general agreement

upon the basis of experience gained since it has been in provisional operation, and in the light of this review to examine to what extent it would be desirable to amend or supplement existing provisions of the agreement and what modifications should be made in arrangements for its administration."

Senator MALONE. What is that dispatch, what paper?

Mr. NORTON. This is a dispatch from the Department of State. You may have it if you like.

Senator MALONE. Well, up to now, almost all of these regulations and GATT organizations have just amounted to what we might call—a corral, do they not?

Mr. NORTON. Well, again, they are only asking that the organizational provisions of GATT be sent up to Congress for review. They do not talk about the real meat of the coconut, which, is, of course, the provisions which affect our international trade, and those are the things that we would like for Congress to review.

Senator MALONE. Is not that the corral?

Mr. NORTON. That is right.

Senator MALONE. And those others have been just leading up to that?

Mr. NORTON. That is right, but the thing you folks will have brought up before you—is the document which says, "Now, we are going to have a secretary and we are going to rotate it and we are going to meet in Geneva or we are going to meet in Washington and we are going to decide matters affecting 34 or 44 nations"—but it is another thing to bring before you a contracting instrument that says, "This is what is going to bind our country"—those they have no intention, we don't believe, of bringing here.

Senator MALONE. Well, would not commonsense bring you to the conclusion that there is only one objective, and that is to divide the markets of the United States of America among the nations of the world?

Mr. NORTON. Yes, sir.

Senator MALONE. On the basis of population, entitlement for consumption, as someone phrased it—you have heard of that before?

Mr. NORTON. Yes, sir.

Senator MALONE. What do you believe about it or what do you think it is for?

Mr. NORTON. Well, it could be for that. However, if it is for that—

Senator MALONE. For what?

Mr. NORTON. For the division of markets for world trade—and I speak only for the agricultural field, I do not know anything about—

Senator MALONE. Well, there are other markets besides the agricultural.

Mr. NORTON. Absolutely.

Senator MALONE. Well, would you not believe that would be the conclusion—that perhaps one of the weaknesses of the witnesses before this committee for 21 years, on the occasions when this act was up for extension, was that everyone came in standing on his own basis and did not understand the general effect on the economy of the country and maybe they are working one against the other, seeking special action, and so on.

Mr. NORTON. Oh, well—

Senator MALONE. That is the way you have been handling it.

Mr. NORTON. That is right.

Senator MALONE. And you finally go into the corral with the rest of them?

Mr. NORTON. We are trying not to.

Senator MALONE. Maybe you have a lead cow.

Mr. NORTON. There is no bell on the lead cow trying to lead us into this corral.

Senator MALONE. Well, who is trying to stay away from that?

Mr. NORTON. The dairy farmers are.

Senator MALONE. I think you have made a very good witness here but I do not think you have gotten into it quite deeply enough to show the Senators and the Congressmen the real destruction that can be wrought by such an organization.

In other words, if it ever comes before the Congress, or does not come before Congress extends this act, you still have the basis for all of these GATT-type organizations. They come in like the December revolution, creating within the United Nations a world-trade organization.

Now, we know what they intend to do, and that is to divide the markets of this Nation with the nations of the world, that is the only objective there can be; is it not?

Mr. NORTON. That is right.

Senator MALONE. That is right?

Mr. NORTON. Yes.

Senator MALONE. Well, have we not yet learned how to keep out of the sucker gate?

Mr. NORTON. Apparently not.

Senator MALONE. Now, you are talking before one of the strongest and most important committees in all of the Congress?

Mr. NORTON. Yes, sir.

Senator MALONE. And the fact that you have to come here and explain it ought to have some significance.

Of course, I have been screaming about it, but I think that maybe you have gotten a little closer to the subject today. You suggest the latest operation and how they are prepared to spring the trap, better than I have, because I have not made any additional study since last Monday, the 7th of March. This State Department release was issued last Sunday, a week ago. Up to that time I read about everything on it. If the people of this Nation, from the steel producers to the dairy farmers, out there in the States and the economic areas that they have built up economically through their ambition and work and the sweat and everything that goes with it, really understood what is taking place what do you think they would do?

Mr. NORTON. I believe that they would react as you have described earlier.

Senator MALONE. You mean move on Washington?

Mr. NORTON. Yes, sir.

Senator MALONE. Well, how are we going to wake them up? Have you any idea? I would like to know.

Mr. NORTON. Well, we have a great deal of concern. We have a great deal of concern among our people—this, Senator, is really one of the hottest issues, if you may call it that—

Senator MALONE. Do you get any reaction?

Mr. NORTON. Of our dairy people.

Senator MALONE. Do you get any reaction from any Congressmen or Senators?

Mr. NORTON. Yes, there were—2 or 3 years back, section 104 was enacted, which contravened all the existing legislation in the Trade Agreements Act; that was a direct rebellion, at least of a type, by the dairy producers, and of course the Congress in its wisdom felt that section 104 of the Defense Act was the proper stand to take.

Senator MALONE. You are aware that there has been a suit filed against the Secretary of the Treasury by a glass company in West Virginia questioning the constitutionality of this entire procedure?

Mr. NORTON. We have that in our statement, and it was on the basis of that suit that we inserted that constitutional question in the statement. Yes, sir, I am aware of that.

Senator MALONE. You are also aware that all of your companies that you represent here can file as friends of the court?

Mr. NORTON. Yes, sir.

Senator MALONE. To get this matter tried out, to see just how far you can transfer legislative authority to the Executive, as a matter of fact, constitutional legislative authority.

Has your organization done anything about it?

Mr. NORTON. We have discussed it; yes, sir.

Senator MALONE. When was the suit filed?

Mr. NORTON. About a week ago.

Senator MALONE. This just scares me to death—this is the reason I am in the Senate, for this particular thing, you might say, alone.

I think it is destroying the United States of America and doing it in such a subtle way and under the guise of war and preparation for war and various other things, and to keep debts piling up and keep these contracts being given out and so on, so that finally we all become absolutely dependent on some joker in Washington for our very existence.

We have gotten away entirely from principle; there is no principle left in any of the things that we do; there is no principle about it.

The first abandonment of principle was in the Trade Agreements Act; there is no principle attached in the Trade Act—do you believe there is?

Mr. NORTON. No, sir.

Senator MALONE. No rhyme or reason?

Mr. NORTON. No. Of course, H. R. 1, as originally proposed, we thought, circumvented everything.

Senator MALONE. Well, I am going to ask you a direct question.

Is not the 1934 Trade Agreements Act, regardless of any amendments whatever, as long as it is in the hands of the Executive and, of course, the State Department through its power over foreign affairs, is that not the basis of the organization, or GATT?

Mr. NORTON. That is right.

Senator MALONE. The Assembly of the United Nations?

Mr. NORTON. Yes, sir.

Senator MALONE. And the ITO, and everyone of those trick organizations; is that not the basis of it?

Mr. NORTON. That is the basis of it; yes, sir.

Senator MALONE. Well, then, if you do not extend it, they all fall of their own weight; do they not?

Mr. NORTON. It would seem so; yes, sir.

Senator MALONE. And, of course, the President would have to be prevailed upon after serving notice on the countries with which those trade agreements have been made, to cancel those agreements. In my opinion, knowing the President as I do, once he realizes the full import of the agreements and what GATT might do and all of these other trick organizations waiting for the sucker to sit down at the gate and then close the gate, I do not think it would take very long to get him to serve such notice and then everything goes back to the Tariff Commission on the principle laid down by Congress, so that you and no one else need worry about the objective of Congress. The only principle upon which the Tariff Commission could operate in determining what the duties should be, would be that of fair and reasonable competition, is that it?

Mr. NORTON. We need one step further than that.

Senator MALONE. What is it?

Mr. NORTON. We feel, or at least I feel, that even though we had the competitive-price situation involved in this, that we would need in addition, quantitative-import limitation.

Senator MALONE. Well—

Mr. NORTON. Which we could get through the Tariff Commission.

Senator MALONE. Well, of course.

Mr. NORTON. That is right.

Senator MALONE. Everything is in there.

Mr. NORTON. That is right. Now, we had the right to appear before them and they are responsible to Congress and we feel that is correct.

Senator MALONE. Under the 1930 Tariff Act they are responsible directly to Congress.

Mr. NORTON. Yes, sir.

Senator MALONE. And the Congress has laid down the principles upon which they operate. Now, if they depart from the principle, they could be before a committee any time.

Mr. NORTON. Yes, sir.

Senator MALONE. Then it is up to Congress, whatever they do.

Mr. NORTON. That is right.

Senator MALONE. As long as they want to carry on, on a special piece of legislation under majority rule.

Mr. NORTON. That is right.

Senator MALONE. Which has nothing to do with GATT or NATO and nothing to do with the Assembly of the United Nations, nothing to do with trade organizations, nothing to do with materials conferences—in other words, we need fear no foreign nation.

Mr. NORTON. That is correct.

Senator MALONE. Well, can there be any other idea or conclusion drawn other than that they are intending to remake the industrial map of the country through lower duties on one product, and then come in and destroy a part of the industry and try to improve the position of another industry—

Mr. NORTON. That is right.

Senator MALONE. Could there be any other conclusion?

Mr. NORTON. None; none.

Senator MALONE. Even in a city where commonsense is probably the scarcest thing on earth, it is hard to come to any other conclusion, is it not?

Mr. NORTON. That is right.

Senator MALONE. And there is less here than any place I have ever been in.

Now, if it is the objective of all of these organizations, even the trade agreements themselves, how can the little neighborhood sections of the economy that have grown up without anyone knowing that they were there because they competed in their own particular local markets, how can they stay? They will pass out of the picture. But the producer in these areas knows, or at least he did know prior to the Trade Agreement Act that he had protection against imports from a country with a lower standard of living and lower wages and that he was only competing with his own people who were paying approximately the same wages and taxes, did he not?

Mr. NORTON. That is right.

Senator MALONE. Is that all he needed to know, just like the rules of a football game?

Mr. NORTON. That is right.

Senator MALONE. And that is all you want?

Mr. NORTON. That is all we want.

Senator MALONE. And if you can get any special legislation that you think your industry might need and Congress sees fit to pass it, that is the business of Congress and your organization, is it not?

Mr. NORTON. That is right.

Senator MALONE. Well, I think that you have made a good witness and I appreciate it very much and I personally would appreciate if you learn a little more about that situation and I would be very happy to know about it.

Mr. NORTON. I will be very happy to give it to you.

Senator MALONE. Thank you.

Mr. NORTON. Mr. Chairman, may I have the balance of the statement in the record?

Senator MALONE. Yes.

Mr. NORTON. H. R. 1 raises a constitutional question. Unless H. R. 1 is amended in the above respect, its constitutionality will be in doubt.

The power to regulate international trade is vested in Congress. A broad delegation of this power without adequate standards and safeguards would be unconstitutional.

The only standards in H. R. 1 apply to reductions in tariff rates. No standards are provided respecting import quotas, export restrictions, national security, customs simplification, nor any of the other matters relating to the regulation of our international trade. The broad delegation of power with respect to these items without adequate standards for their exercise and without adequate safeguards would, we believe, raise a serious constitutional question.

Our statement before the House Ways and Means Committee further develops our position on the approval of GATT by H. R. 1. In accordance with the request of the committee, I will merely refer to that statement and not repeat those arguments here.

Suggestions have been made that the findings of the Tariff Commission under the peril-point and escape-clause provisions of the

Trade Agreements Extension Act of 1951 should be accepted as final unless they are set aside by Congress.

It seems to us that the findings of the Tariff Commission under the peril-point provision should be binding on the President and that no reductions of tariffs should be made below the peril point unless Congress itself approves the reduction.

When tariffs are reduced below the peril point, a deliberate and planned injury to some segment of the American economy is contemplated. Such an injury should not be made unless other factors far outweigh the harm to be done. Congress itself should be the judge of that. The Constitution so provides. It is one thing for Congress to delegate the power to reduce tariffs where injury will not result. It is quite another thing to delegate to the President the power to dislocate important segments of American industry.

The same reasoning is applicable to escape-clause actions. The findings and recommendations of the Tariff Commission in such matters should be final unless reversed by Congress itself.

This is not a matter of distrusting the President. It is simply that Congress is more responsive to, and more clearly reflects, the will of the American people. The framers of our Constitution recognized this fact when they wisely retained for the people the right to have Congress and not the President make these important decisions concerning international trade.

Senator MALONE. Thank you very much.

**STATEMENT OF OTIS M. REED, NATIONAL CREAMERY ASSOCIATION,
AMERICAN BUTTER INSTITUTE, INC., AND DAIRY INDUSTRY
COMMITTEE, ACCOMPANIED BY JOHN B. BRECKINRIDGE, COUNSEL**

Mr. REED. Mr. Chairman, my name is Otis M. Reed, and I am Washington representative of the Joint Committee of the National Creameries Association and the American Butter Institute.

At this point, Mr. Chairman, I also want to specify that I am speaking for Dr. E. W. Gaumnitz, executive secretary, National Cheese Institute, Inc.; and Mr. Robert J. Remaley, American Dry Milk Institute, who are scheduled to follow me but who, in order to conserve the time of the committee have consolidated their testimony and I shall give it for them.

I am also speaking for the Dairy Industry Committee which, in addition to ourselves, is composed of the National Cheese Institute, the American Dry Milk Institute, the Evaporated Milk Association, the Milk Industry Foundation, and the International Association of Ice Cream Manufacturers.

My offices are at 1107 Nineteenth Street NW, Washington.

The National Creameries Association is composed of some 950 dairy processing plants, both cooperative and private, located in the States of Wisconsin, Minnesota, North and South Dakota, Iowa, Kansas, and Nebraska. The American Butter Institute is composed of processors, both cooperative and private, with membership in 43 States. Taken together, these two associations process and distribute most of the creamery butter produced in the United States.

It is my understanding, Mr. Chairman, that the statements presented by witnesses before the House Ways and Means Committee in the hearing on H. R. 1 have been made available to this committee

in summary form. In view of this, I will not repeat any of the facts and statistics given in my statement before the House Ways and Means Committee, which appears at pages 2268 to 2283 of the printed hearings.

If the Congress extends the Reciprocal Trade Agreements Act, we have several recommendations.

Senator MALONE. First, I would just like to ask you, if you would make yourself clear, do you want this act extended or would you rather it not be extended?

Mr. REED. We would rather it not be extended.

Senator MALONE. You are against extension but if you have to take it you want something with it to help swallow it?

Mr. REED. We want these safeguards, yes, sir.

The first recommendation we have is that the language in subparagraph A of section 3 (a) following the word "foregoing" on page 3, line 4, through the word "States," on line 7, be maintained in the act. This language reads as follows:

Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing legislation of the United States:

At this point, I want to digress from my written statement and state that we are unequivocally in support of Mr. Norton's statement.

Senator MALONE. "Existing legislation" means existing at the time of the agreement?

Mr. REED. That is correct.

Senator MALONE. How about legislation Congress might want to pass subsequent to that time?

Mr. REED. We think you would be estopped from passing such legislation.

Senator MALONE. Under your amendment?

Mr. REED. Yes.

Senator MALONE. Why do you advocate it?

Mr. REED. What we would like—I might be quite frank about it—is that before—

Senator MALONE. That is what I would like you to be. If I thought you were trying to fool the committee, I wouldn't be here at going on 7 o'clock.

Mr. REED. This is tricky language, sir.

Senator MALONE. You tell us what is tricky about it and why we should permit ourselves to be caught with an agreement, that thereafter the Congress couldn't legislate.

Mr. REED. We should take out the word "existing."

Senator MALONE. You put that in, did you not?

Mr. REED. No, sir.

Senator MALONE. I thought this was your suggestion.

Mr. REED. No, this is the language that is currently in H. R. 1 as it passed the House.

Senator MALONE. How would you write it?

Mr. REED. We would take out that word "existing," and say—

Provided, That no such provision shall be given effect in the United States in a manner inconsistent with legislation of the United States.

Senator MALONE. Why don't you go a little further: "with any future legislation of the United States"?

Mr. REED. I would be perfectly willing to do that.

Senator MALONE. Why don't you make that suggestion?

Mr. REED. I would make that suggestion, sir.

Senator MALONE. Someone might assume the word "existing," the way it would be, there, even if it were deleted.

Now how would you have it read?

Mr. REED. I believe if you take out the word "existing," sir, that you have it covered.

Senator MALONE. Let's read it:

Provided, That no such provision shall be given effect in the United States in a manner inconsistent with legislation of the United States.

Now when you make a contract under legislation with another party, under legislation of the United States, that contract is binding, isn't it, and future legislation wouldn't be retroactive, would it?

Mr. REED. I would think the contract would be binding only insofar as it would not contravene any legislation which we have now or which the Congress might enact.

Senator MALONE. I might ask Mr. Breckenridge, if you were to read this, if you were to meet this in a contract with some individual, wouldn't you think that it would be legislation of the United States then existing?

Mr. BRECKENRIDGE. If any contract is subject to legislation of the United States, and a trade agreement would be subject to legislation, and if this says, "not contrary to legislation of the United States," I think it would automatically mean legislation in the future.

Senator MALONE. Why do we have to leave it so it would have to be interpreted in some way? Why wouldn't you just think of some word now that would clear it up instead of going through all that business, later?

Mr. BRECKENRIDGE. Well, I believe that would be clear enough but if the committee wanted to make it completely clear, they could say, "Any existing or future legislation of the United States."

Senator MALONE. It might be an innovation for Congress to make it completely clear, but don't you think we ought to?

Mr. BRECKENRIDGE. Yes, sir.

Mr. REED. We would be in favor of inserting the words "or future legislation." It would then read—

Provided, That no such provision shall be given effect in the United States in a manner inconsistent with existing or future legislation of the United States.

That certainly should be clear.

This provision is quite necessary in order that any authority granted under H. R. 1 not be used to circumvent or to modify by administrative action thereunder, laws of the Congress of the United States. The organizations which I represent, while interested in all features of the reciprocal-trade-agreements program, are nevertheless most interested in import-control regulations proclaimed or authorized under section 22 of the—

Senator MALONE. I am always interested in anyone who continually uses "reciprocal trade." Where did you pick up the phrase?

Mr. REED. I don't know. It has been used so much in common reference—"reciprocal trade agreements," and so forth.

Senator MALONE. It is in all the special writers' language and in releases from the Department of State and on the radio and television, but did you ever read the act?

Mr. REED. Yes, sir.

Senator MALONE. Do you find it?

Mr. REED. I don't think there is too much from what I have seen of it that is "reciprocal."

Senator MALONE. It is not used in the title nor in the body of the act and as a matter of fact, the term was invented by the London bankers in 1934 to sell free trade to just such people as you who come in honestly and try to build a business and complain when you are hurt.

Now we have "Trade, not aid." Mr. Butler, the Chancellor of the Exchequer, invented that, but I just happened to be here and I pinned that one on him in 1952 right quick. "The dollar shortage" was invented in the same place. They have had us mouthing these phrases for 22 long years, and jumping from one tree to the other, trying to prevent our business from being destroyed by them. Do you agree with that?

Mr. REED. Yes, sir; I do.

Senator MALONE. Go ahead.

Mr. REED. It is our considered opinion that quantitative restrictions upon the imports of butter, cheese, and other dairy products are absolutely necessary under existing conditions whereby our prices are being maintained considerably above world prices by our price-support program.

Senator MALONE. Could you maintain those prices with a tariff, with your costs of production under section 336 of the Tariff Act, the difference in cost of production? That is what you are now getting apparently, isn't it?

Mr. REED. We are getting 75 percent of parity, sir. The price-support program is for manufactured milk and butterfat, supposed to return to the producer 75 percent for the butterfat he sells in cream—of parity, that is—and 75 percent of the parity price for manufacturing milk. Even so, the price of butter in major foreign exporting countries, such as New Zealand, is so low relative to our price-support level that butter could be brought into this country, all costs and duties paid, at 7 cents under our price support. And remember our price support is 75 percent of parity.

Senator MALONE. You are talking now about your present duty, are you not?

Mr. REED. That's right.

Senator MALONE. Wasn't that duty cut under a trade agreement?

Mr. REED. Well, the cut in price support—is that what you mean?

Senator MALONE. No, the cut in tariff. Wasn't there a cut in the tariff on butter?

Mr. REED. The tariff on butter has been cut, yes. It is now 7 cents per pound on the first 60 million pounds imported, but even with that tariff New Zealand can ship butter here, pay all the cost, pay that tariff, and still have an advantage of 7 cents on our markets.

Senator MALONE. Do you know what tariff section 336 of the Tariff Act says?

Mr. REED. As I recall—and my legal counsel can check me if I am wrong—it provides that tariffs as set in the act of 1930 may be modified upon—

Senator MALONE. I'm talking about the 1930 Tariff Act; section 336. What does it provide?

Mr. REED. I think, sir, that is the provision of the law which provides for modification of tariffs up or down, depending upon a finding of the Tariff Commission as to the costs of production in our country and in foreign countries.

Senator MALONE. That is the principle laid down by Congress, isn't it, and in your testimony the foreign country would be New Zealand?

Mr. REED. New Zealand, Australia, Denmark—

Senator MALONE. If the tariff was set on that basis, what would you have to fear?

Mr. REED. You wouldn't have very much to fear, I don't think, except for one thing: We have programs in this country designed to encourage the receipt of prices by producers of parity levels in the market place. Now, your parity prices might be divergent from the findings of actual costs of production that the Tariff Commission might make.

Senator MALONE. You are paid up to the 75 percent, aren't you?

Mr. REED. That's right.

Senator MALONE. That would only be needed for your domestic competition. In other words, if you produced more butter than you needed in the United States you still get the 75 percent parity from the Government.

Mr. REED. That is what we are getting now; yes.

Senator MALONE. But you need fear no outside competition, if you had that difference in cost, due to the difference in cost of production here and in New Zealand, if that is in fact the chief competitive nation.

Mr. REED. I can't answer your question directly, because I don't know what the costs of production are in New Zealand, nor do I know the actual average costs of production in the United States, but under current production and marketing conditions, and as they have existed for a number of years, New Zealand, Australia, Denmark, and the Netherlands could import butter into this country at prices materially below the prices which our Government was setting as a matter of policy. For some years that was 90 percent of parity. Last year they dropped us to 75 percent of parity and, even so, our prices are materially above what butter could be shipped into this country for, paying all the tariffs that are applicable now.

Senator MALONE. The 7 cents a pound?

Mr. REED. Yes, sir.

At 75 percent of parity—I have just returned from a long field trip in the States of Wisconsin, Minnesota, and Iowa, and our farmers tell us that under 75 percent of parity they are not going to be able to continue to produce their volume, that they are not making the money to do it.

Senator MALONE. Let me ask this question in another way, because I know from the testimony that I have listened to now for a week, you are so far away from the dog that bit you that you now are turning further to trick organizations and help from the Government to try to survive instead of trying to find out what really happened to you in the first place.

Now, this is what this law said under section 336 of the act. As a matter of fact it was passed in 1930 and it had no time to be operative. [Reading:]

The Tariff Commission is authorized to adopt such reasonable procedure, rules, and regulations as deemed necessary to execute its functions under this section.

It has been said before that the Commission can hold a hearing on its own motion or at the request of either House of Congress, the President, or any interested party. If they find today that the tariff set yesterday is not right they can change it tomorrow. There is no limit. That is the reason it is flexible. And have a special act of Congress to carry it out, on a principle of what? On the basis of fair and reasonable competition.

Mr. REED. That's right.

Senator MALONE. So, it says:

The Commission shall report to the President the results of investigations as found with respect to such differences in cost of production. If the Commission finds by the investigation that the duties expressly fixed by statute do not equalize the difference in the cost of production of the domestic article and a like or similar foreign article when produced in the principal competing country, the Commission shall specify in its report such increases—

you see there is no such thing as high tariff or low tariff, it is a difference you are looking for—

Mr. REED. Surely.

Senator MALONE (reading):

the rates of duty expressly fixed by statute including any necessary change of classification—

they can change the classification—

as it finds necessary to equalize such differences.

If you are operating under this statute and it was carried out, which it would have to be, then you would not need to fear competition, would you?

Mr. REED. I think we would still want to maintain section 22, and strengthen section 22.

Senator MALONE. I have been asked to maintain it and I have no objection to it, but what I am trying to get from you, you don't want any more than an even break in business, do you?

Mr. REED. No.

Senator MALONE. That wouldn't be right to ask?

Mr. REED. No.

Senator MALONE. I want to ask this question, again. I want to be sure that you understand the import of it: You would not need to fear foreign invasion of the market if a tariff or duty—flexible—was set on this basis and continually adjusted, would you?

Mr. REED. I don't think we would have to fear anything along that line, except for one possibility, sir, and that is, if the Congress as a matter of congressional policy decided to authorize and operate programs that might make our prices even higher than that differential, then in that event we would have to have section 22.

Senator MALONE. In that event you get the money from the Government when your own competition, in this country, produces—when all of you together produce more butter, we'll say, if that is what's under consideration—than the people of this Nation consume, or even dispose of. That is when you would need and would have the subsidy to keep you up to parity. But, you wouldn't need to fear an import from a foreign nation, would you, if they had to pay this differential?

Mr. REED. Just so they had to pay the differential. But if, for example—

Senator MALONE. Now, if the Government was going to buy their butter, too, at the support price—which we might be foolish enough to do, considering the things that we are doing—I wouldn't put it past us, at all—if we do that then, of course, you would have to come back to a limitation, but we just refuse to buy the imported butter and pay the taxpayers' money for it, above the competitive price.

Mr. REED. You put your finger, sir, right on the thing that has had us scared for so long, regarding this whole matter of section 22.

Senator MALONE. Everybody in the United States is just scared to death. I have never in my life seen people so frightened as they are now and have been for several years.

Mr. REED. We have good reason to be scared, I think.

Senator MALONE. Of course you have.

Mr. BRECKENRIDGE. Mr. Chairman, section 336 if properly operated is designed to protect the American producer, whereas section 22 is a part of price-support programs and is designed to protect the Government. In other words, if Government creates through a price-support program conditions which artificially bring in imports which would not normally come to the United States, that is what section 22 is designed to stop, and it provides for a quantitative quota and not just a fee. And there you are protecting the Government and the taxpayer rather than just the producer, so I think even if you had section 336, you would still have to have 22 as a part of a Government price support program.

Senator MALONE. Well, your point is that there is no way of determining what butter it is, that it might come in and then just mix up with the rest of the butter, but I rather thought there might be some way of isolating it when it was imported. If that is not true, maybe you are right about it, but nevertheless that is a detail anyway, isn't it, when we are talking about foreign competition?

Mr. BRECKENRIDGE. That's correct, sir. However, in connection with section 336, I think we should point out that going back to 336 as it is now written in the Tariff Act of 1930, it would not be adequate because the President still has the final decision under section 336. The Tariff Commission could find the difference in cost of production but the President does not have to put it into effect unless he so desires.

Senator MALONE. Let's see what it says.

Mr. BRECKENRIDGE. If you are going to reply on section 336, there again the findings of 336 should become effective automatically unless Congress should overrule it. I think the Senator will recall the case of fluorspar. We had an investigation back in 1933, under section 336 and the Commission found a difference in the cost of production requiring an increase in the tariff but the President didn't do anything. He didn't even publish the report of the Commission.

Section 336 would have to be made operative through Congress to be effective.

Senator MALONE. The Commission would have to report to Congress instead of the President. However, the principle would be right.

Mr. BRECKENRIDGE. The principle would be right.

Senator MALONE. I come back to it—I want to clear up that point—as far as foreign competition is concerned. If this flexible import duty

is continuously adjusted on the basis of fair and reasonable competition, you would not need to fear foreign competition unless there was this ceiling that was being held above the market price. In that case you wouldn't fear it anyway because you are getting the additional price.

Mr. REED. Except it would be so much more expensive to run.

Senator MALONE. That is true, and there may be a point to that, that you would have to retain the other sections.

Mr. REED. I think that marked expansion in the cost of the price-support program because of a factor of that nature would probably lead to very serious public disapproval of the programs and we might lose our price-support programs.

Senator MALONE. Well, we have before now bought the foreign product of various commodities but, of course, it is a very important policy, just as it is a very important policy in my judgment to leave it to the judgment of one man as to whether or not you are going to trade one industry for another in this country. Do you understand that the 1934 Trade Agreements Act can only mean one thing—that is my judgment; I would like to know what your judgment is—and that is the rearrangement of the industrial map so as to encourage the production of one article, to get the money to export another article, or to buy the exports of another article, isn't that about what it adds up to?

Mr. REED. I think that is approximately correct, sir; yes.

Senator MALONE. Go ahead.

Mr. REED. The language now contained in the proviso noted above, as amended—and I might interpolate there, as further suggested be amended, here, by you, sir—will be sufficient to protect the operations of section 22 and we most assuredly recommend and urge that the Senate retain this proviso as it was amended by the House.

Second, we hope that the Senate will amend H. R. 1, assuming it passes H. R. 1, to provide for strengthening section 22 of the Agricultural Adjustment Act as amended.

Senator MALONE. If I understand your testimony, you would prefer that we not extend the act.

Mr. REED. That's correct.

You may well ask why, since President Eisenhower has invoked the provisions of section 22, and, since July 1, 1953, quantitative import restrictions on certain dairy products have been in effect under section 22, we should request this Congress to strengthen section 22. The reasons are simple.

First, section 22 as it is now drafted is discretionary with both the Secretary of Agriculture and the President. I do not want to imply that an administrative official should not be given any discretion in the application of laws, but the discretion they can exercise should be applied within the framework of a very definite policy or statement of intent of the Congress.

There is no clear statement of the intent of the Congress as to the manner in which section 22 shall be applied in section 22 at this time. Lacking a clear-cut statement of intent, different persons may quite conscientiously apply this section differently.

Second, even though the Tariff Commission finds the existence of imports or possibilities of imports that will hamper operations under our domestic agricultural laws, the President may or may not act on such facts as he sees fit.

This situation leads to a great deal of uncertainty on the part of the dairy industry as to how section 22 will be applied, and the duration of the controls applied under section 22.

Would it not be better to develop a rule to state clearly the intent of the Congress in this matter, not only as a guide to administrative officials, but also to the various agricultural industries that are involved? We believe so, and our suggestion in regard to this phase of the matter is set forth below.

We recommend to the Senate that H. R. 1 be amended so as to remove inconsistencies in policy that now exist in the Trade Agreements Act and laws affecting our domestic agriculture, particularly those pertaining to price support and related programs.

Our domestic agricultural programs are designed to aid farmers in securing parity prices in the marketplace. Our foreign trade policies are designed to promote a maximum volume of trade with other nations.

We submit it is possible to correlate our domestic farm policy goals and our foreign trade policy goals.

For some years we in the dairy industry have been trying to develop a revision of section 22 which we think would improve the section materially and go far toward coordinating our farm policy goals and our foreign policy goals.

For several years representatives of the dairy farmers and processors have had to fight the foreign trade battle over each year, with always a great deal of uncertainty as to the results. We urge the Congress to cure these uncertainties by improving section 22.

We have prepared a proposed amendment to section 22 which would provide a formula for the application of import controls. This formula would provide in effect that as long as farm prices are below parity, imports of agricultural commodities would be limited to the average for the 5 preceding years.

I have here, Mr. Chairman, a detailed amendment which we have prepared, which I would like to submit for the record at this point.

Senator MALONE. It will be submitted and appear in the record as a part of your statement.

Mr. REED. Thank you, sir.

(The amendment referred to follows:)

PROPOSED AMENDMENT OF SECTION 22 OF THE AGRICULTURAL ADJUSTMENT ACT,
AS DEVELOPED BY THE DIC SUBCOMMITTEE ON IMPORT CONTROL

"SEC. 22. (a) It is the policy and the intent of the Congress that, notwithstanding the provisions of any other law and operations thereunder, imports of agricultural commodities or products thereof shall be controlled through import fees or quantitative limitations, to the extent necessary (i) to achieve the purposes of titles I, II, and III of the Agricultural Act of 1949, or the Soil Conservation and Domestic Allotment Act, as amended, or section 32, Public Law 320—74th Congress, approved August 24, 1935, as amended, or the Agricultural Marketing Agreement Act of 1937, as amended, or any loan, purchase, or other program or operation undertaken by the Department of Agriculture or any agency operating under its direction, and authorized by the laws enumerated in this paragraph (a), or (ii) prevent any substantial reduction in the amount of any produce processed in the United States from any agricultural commodity or product thereof with respect to which any such program or operation is being undertaken. In no event shall imports of any agricultural commodity or product thereof be permitted to exceed, during the marketing year for which a program to support prices to producers directly, or indirectly is in effect under any of the laws enumerated herein, average annual imports of such commodity or

product thereof during the five-year period immediately preceding the current program year, unless and until the United States farm price of such commodity or product, except for milk and butterfat and the products thereof, in which case the United States farm price of butterfat shall govern, reaches (a) parity prices as seasonally adjusted for such commodity or product and remains at such level for three consecutive calendar months, or (b) such higher levels as the Secretary may determine pursuant to section 402 of the Agricultural Act of 1949: *Provided, however,* That the volume restrictions set forth herein shall apply during any period when farm prices are below parity: *Provided further,* That the Secretary of Agriculture is authorized to impose such additional quantitative limitations of imports as the Secretary may find necessary, during the operation of any price support program for any agricultural commodity, to minimize the cost of such purchases, or losses that would be incurred in the disposition of any commodity in Government inventory: *And provided further,* That the procedure set forth in paragraphs (b), (c), and (d) hereof shall be applicable to the establishment of import fees, but shall not be applicable to quantitative limitations except in case the Secretary deems it necessary to limit imports to levels below the level established pursuant to this paragraph (a).

(b) Whenever the Secretary of Agriculture deems it necessary to apply import fees, or quantitative limitations designed to limit imports to lower levels than those authorized in paragraph (a) of this section, he shall so advise the President, and, if the President agrees that there is reason for such belief, the President shall cause an immediate investigation to be made by the United States Tariff Commission, which shall give precedence to investigations under this section to determine such facts. Such investigation shall be made after due notice and opportunity for hearing to interested parties, and shall be conducted subject to such regulations as the President shall specify.

(c) If, on the basis of such investigation and report to him of findings and recommendations made in connection therewith, the President finds the existence of such facts, he shall by proclamation impose such fees not in excess of 50 per centum ad valorem or such quantitative limitations on any article or articles which may be entered, or withdrawn from warehouse, for consumption as he finds and declares shown by such investigation to be necessary in order that the entry of such article or articles will not render or tend to render ineffective, or materially interfere with, any program or operation referred to in subsection (a) of this section, or reduce substantially the amount of any product processed in the United States from any such agricultural commodity or product thereof with respect to which any such program or operation is being undertaken: *Provided,* That no proclamation under this section shall impose any limitation on the total quantity of any article or articles which may be entered, or withdrawn from warehouse, for consumption which reduces such permissible total quantity to proportionately less than 50 per centum of the total quantity of such article or articles which was entered, or withdrawn from warehouse, for consumption during a representative period as determined by the President: *And provided further,* That in designating any article or articles, the President may describe them by physical qualities, value, use, or upon such other basis as he shall determine.

(d) The fees and limitations imposed by the President by proclamation under this section and any revocation, suspension, or modification thereof, shall become effective on such date as shall be therein specified, and such fees shall be treated for administrative purposes and for the purposes of section 32 of Public Law 320, Seventy-fourth Congress, approved August 24, 1935, as amended, as duties imposed by the Tariff Act of 1930, but such fees shall not be considered as duties for the purpose of granting any preferential concession under any international obligation of the United States.

(e) After investigation, report, finding, and declaration in the manner provided in the case of a proclamation issued pursuant to subsection (b) of this section, any proclamation or provision of such proclamation may be suspended or terminated by the President whenever he finds and proclaims that the circumstances requiring the proclamation or provision thereof no longer exist or may be modified by the President whenever he finds and proclaims that changed circumstances require such modification to carry out the purposes of this section.

(f) Any decision of the President as to facts under this section shall be final.

(g) No trade agreement or other international agreement heretofore or hereafter entered into by the United States shall be applied in a manner inconsistent with the requirements of this section.

Mr. REED. The application of this formula would be automatic and accordingly would express the will of the Congress as to how import controls and price support programs are to be correlated, policywise.

As we view it the proposed amendment to section 22 would clear up the inconsistencies between the policies of the Congress with reference to agricultural prices in this country as exemplified by our many agricultural laws, and the policy of the Congress regarding foreign trade. Heretofore, interest in the farm programs has been to improve and maintain the price to farmers whereas the pressures under the Trade Agreements Act as it has been administered, have been to reduce tariffs and increase imports tending to reduce American farm prices to the world price level.

I would like to state as an aside, Mr. Chairman, that I am not bringing up a boogerman, here. I have spent some time in the Government service in the Department of Agriculture and I know that we continually came up against it, the inconsistency in the policies in in the two acts and if you could straighten that out, I think both acts would be administered much more in line with the intent of the Congress.

Senator MALONE. Also, when there is any disparity to come up against the policies of the Department of Agriculture, do you not?

Mr. REED. Yes.

It is submitted that our proposed amendment resolves this inconsistency in policy. It would permit average import and thereby maintain the average pattern of foreign trade when our domestic farm prices are below parity. When our prices are above parity, no import controls would be authorized under section 22 and the maximum volume of imports consistent with our farm policy would be encouraged.

Other witnesses will offer testimony in favor of strengthening the escape-clause provision of the act—and that has been offered—and a provision to avoid any congressional approval of the general regulatory provisions of the General Agreement on Tariffs and Trade comparable to the provision which this committee has included in all extensions for the past several years. We fully endorse such testimony.

My statement ends at that point, but I wish to submit a recommendation for the committee.

Senator MALONE. As I understand it, you are just against the General Agreement on Tariffs and Trade?

Mr. REED. We are against that, too; yes, sir.

Senator MALONE. I would go a step further, then, and ask you if you oppose any international regulation of foreign trade, or the domestic production of the United States?

Mr. REED. Sir, we have followed the principle for years, in our arguments that we have made before committees of the Congress, that as a matter of principle, the Congress of the United States should control the tariff structure, and that in this operation, the Congress should use the Tariff Commission, that that should not be—

Senator MALONE. As an agent of Congress.

Mr. REED. Yes, sir, as an agent of Congress, that that should not be an agent or subject to the will of the executive branch, but to the Congress.

Senator MALONE. You have read the Constitution of the United States, haven't you?

Mr. REED. We have stuck with that principle for years and we still stay with it, sir.

Senator MALONE. You are staying with the Constitution of the United States?

Mr. REED. Yes, sir.

Senator MALLONE. That is an unusual procedure in Washington. Do you feel isolated?

Mr. REED. Sometimes, yes, sir. I know a large number of my colleagues in the agricultural field feel exactly the same way. They feel Congress should reserve its authority over foreign trade.

Senator MALONE. I have been distressed, today especially, and for the last 2 days, with men like you coming in representing an industry vital to this country—and they are all vital to this country, however small or however large, they are a part of the economy of this Nation, and the reason we are great is because we have protected them all our lives—and they have started out by saying that “We would like amendments” because they assume that they are whipped to start with.

Mr. REED. I think that’s correct.

Senator MALONE. They are whipped down so that they can hardly look anybody in the eye anymore when they start talking about their own industry.

Mr. REED. That’s right.

Senator MALONE. And they assume all they can do is get another lease of life for a few months, a contract, or an amendment that will dull the edge of the stiletto when it is used.

Mr. REED. That’s correct. That’s correct, sir.

Senator MALONE. It would be impossible to imagine such a situation 2 decades ago, or even 1 decade ago, that the businessmen of America could be brought to that frame of mind, begging for their own lives in Washington, D. C. Is that what you find?

Mr. REED. That is what I find. Our experience has been for years, and we have argued, that the Congress should reassert its control over the foreign trade of this country and that the Tariff Commission should be the agent of the Congress. We still reassert that position. Heretofore, sir, we have not had any luck with Congress, on it.

Senator MALONE. Another breath of fresh air. We have had two or three of them in the past week and more power to you. I hope you will keep on talking about what you have talked about today.

Mr. REED. We certainly shall.

May I read just this one brief paragraph, sir? It is our recommendations concerning the escape clause:

We recommend that the escape-clause section of the Trade Agreements Act, sections 6 and 7, be clarified and strengthened by, (1)—

now this is again assuming that the bill is extended—

by substituting—

Senator MALONE. If you cannot stop what you would like to see, then you hope the committee would adopt your amendment.

Mr. REED. That’s right;

by substituting the words “American workers, miners, farmers or producers” for the words of domestic industry and, (2) making final the decision of the United States Tariff Commission as to the facts relating to injury and as related to any remedy.

Senator MALONE. Even if it was final, when they ask for a point to be determined below which an industry would be imperiled and then they base the trade agreement on it, within 10 seconds or before the ink is dry, a foreign nation can get out from under its obligations under the agreement, through a change in its monetary system, evaluation, or application of exchange or import permits—you do understand that.

Mr. REED. Surely.

Senator MALONE. So obviously it can only be a one-way street.

Mr. REED. Surely.

Senator MALONE. Go ahead.

Mr. REED. That concludes my statement.

Senator MALONE. Well, thank you very much.

Mr. BRECKENRIDGE. Mr. Chairman, there is one other amendment which we would like to suggest adding to H. R. 1, if it passes, and that is to reactivate section 336, the flexible cost of production provision in the Tariff Act of 1930. The reason the amendment is necessary is that section 336 is not applicable to any commodity included in a trade agreement under the present law. Section 2 of the Trade Agreements Act of 1934 provides—the second sentence of section 2 says;

The provisions of section 336 of the Tariff Act of 1930 shall not apply to any article with respect to the importation of which into the United States a foreign trade agreement has been concluded pursuant to this act or to any provision of any such agreement.

Now, I believe over 90 percent of the commodities involved in foreign trade in the United States have been included in agreement. Therefore, they are not ineligible to ask for relief under section 336, of all those commodities. Whether you extend the trade agreements, or not, that sentence must be stricken out before an industry can go and ask for relief under section 336.

Senator MALONE. Unless the President of the United States should serve notice on the country with whom such agreement is made, of cancellation.

Mr. BRECKENRIDGE. He is not likely to do so, we feel. We feel 336 should be reactivated and the Tariff Commission should be thereby instructed to administer it effectively.

Senator MALONE. Regardless of any trade agreement?

Mr. BRECKENRIDGE. Right. If you just struck out that sentence, even if you were in a trade agreement you could go to the Commission and apply for relief under section 336.

Now, we also feel, as we do with section 22 and the escape clause, that the findings of the Commission under section 336 should be made final, except for review and overruling by the Congress.

Senator MALONE. Well, I would agree with you, but you would be making inoperative the entire Trade Agreements Act, would you not?

Mr. BRECKENRIDGE. No; I don't believe so. If you just struck out that sentence, you would merely make the trade agreements subject to the safety valve—the safeguarding provision of section 336. When imports increased, because of low labor costs abroad, the cost of production was substantially below the American cost of production, they could seek relief under section 336, as well as the escape clause.

Senator MALONE. I would favor that, of course. I was just remarking that that in itself would nullify to a great extent all the provisions and there would be no need to extend the act in any case.

Mr. BRECKENRIDGE. No, I don't believe that it would nullify the provisions. It would merely make an avenue of relief available to the industries that are not now available. I think the trade agreements would stay in effect and the reduced duty would stay in effect until the Commission found the necessity of an increase to offset the differential in cost of production, and that would be reported to Congress and would go in effect unless Congress overruled it.

Senator MALONE. I agree thoroughly with you that it should be nullified, and of course that would be a step in the right direction. If you didn't extend the act, however, it would go right back on the provisions of section 336.

Mr. BRECKENRIDGE. No, sir; if you didn't extend the act you would still have to make that same amendment because all the trade agreements would remain in effect and any commodity in them still could not apply for relief under section 336.

Senator MALONE. Unless the President asked for cancellation.

Mr. BRECKENRIDGE. And it is not likely he would do that in the foreseeable future.

Senator MALONE. If you didn't extend the act you should simultaneously amend it.

Mr. BRECKENRIDGE. You should simultaneously amend 336 and restore the availability of 336 relief.

Senator MALONE. We would like to see that even if we did extend it.

Mr. BRECKENRIDGE. It would have to be done whether you did or did not extend it.

Senator MALONE. I understand. I think your point is good.

We will have a 3- or 4-minute recess and then we have 1 more witness.

(A short recess was taken.)

Senator KERR. You may proceed, Mr. Herres, either by reading your statement or summarizing it.

STATEMENT OF OTTO HERRES, REPRESENTING THE LEAD AND ZINC MINING INDUSTRY

Mr. HERRES. Thank you, Mr. Chairman.

My name is Otto Herres. I am a mining engineer experienced in the management of coal and metal mining properties. I have developed and operated mines under emergency conditions during two world wars.

At the time of the Korean war I was drafted by the Government to help with the defense effort and served as Chief of the Lead-Zinc Branch of the Defense Minerals Administration.

During the Korean emergency foreign mining properties were opened and expanded with the support of American aid programs. Foreign production was overstimulated by high prices in the scare buying period when our mines were restricted by price controls. Foreign governments using monopolistic and socialistic methods in the purchase and sale of metals were favored in their stockpiling efforts at the expense of the American taxpayer.

And so the aftermath of the Korean war brought disaster to the Nation's lead-zinc mines. Excess tonnages of foreign lead and zinc remaining when the emergency ended have flooded the markets of the

United States during the past 3 years at prices below the average cost of American production. Such action has made marginal mines out of once prosperous properties. The domestic industry has suffered heavy losses and distress has come to many communities.

Senator KERR. Mr. Herres, I would like to ask you one question. Does your statement further on give information which discloses the percentage of imports which are being brought in by American companies from foreign properties?

Mr. HERRES. Not specifically American companies, because the import figures that are available are not broken down by companies but only by countries.

Senator KERR. Do you have an estimate of how much of the imports are being brought here by American companies operating abroad?

Mr. HERRES. My best judgment is that a good share of the imports that are coming here are produced by American companies operating abroad.

Senator KERR. From foreign properties?

Mr. HERRES. From foreign properties.

Senator KERR. Would you say that three-fourths of the imports are brought here by American companies, or half of it, or a third of it, or what would you estimate?

Mr. HERRES. For lead and zinc I would think probably at least half of the imports that are coming in originate with—

Senator KERR. Are produced by American companies in foreign properties?

Mr. HERRES. Are produced by American companies that have interests in foreign properties.

Senator KERR. Thank you. I would be very grateful to you as one member of this committee, if you have accurate information on that question, if you would submit it to us.

Mr. HERRES. I will see what I can find, sir, and submit it later.

(The following letter was subsequently received for the record:)

WASHINGTON, D. C., *March 14, 1955.*

HON. ROBERT S. KERR,
*Senate Finance Committee,
Washington 25, D. C.*

DEAR SENATOR KERR: During my appearance before the Senate Finance Committee to present a statement for the lead and zinc mining industry on Tuesday, March 8, you requested me to furnish you with an estimate of how much imports are being brought to the United States by American companies operating abroad.

The Bureau of the Census reports that imports of zinc in ores and concentrates in 1954 amounting to 448,624 tons (zinc content) were supplied 39 percent from Mexico, 34 percent from Canada, and 21 percent from Peru. The remaining 6 percent was mainly from Bolivia, Yugoslavia, Africa, and Australia.

Imports of zinc metal were 156,896 tons of which two-thirds came from Canada, 8 percent from the Belgian Congo, 5 percent from Belgium, and 4 percent from Peru. The balance came from various European countries and Australia.

Imports of lead ore (lead content) were 161,517 tons coming 40,702 tons from Canada; 38,796 tons from Peru; 35,506 tons from South Africa; 21,557 tons from Australia; 13,522 tons from Bolivia and the remainder in small tonnages from other countries.

Lead metal imports were 276,282 tons; 68,694 tons from Mexico, 59,886 tons from Canada, 58,445 tons from Australia, 38,464 tons from Yugoslavia, 20,048 tons from Peru, 15,241 tons from French Morocco, and the remainder in smaller tonnages from various other countries.

Mr. Jean Vuillequez, vice president and director of sales of the American Metal Co., Ltd., testified to the United States Tariff Commission during the

hearings of the escape-clause petition of the domestic lead and zinc mining industry on November 3-6, 1953, that his company operates no metal mines in the United States, but represented concerns producing in Canada, Mexico, and South Africa and is the principal importer into this country of foreign lead. American Metal Co., Ltd., operates lead-zinc mines in Mexico.

Testimony of Mr. V. C. Wansbrough, managing director, Canadian Mining Association, and his consultant, Mr. G. C. Bateman, to the Tariff Commission was to the effect that one Canadian company, the Consolidated Mining & Smelting Co., affiliated with the Canadian Pacific Railroad Co., operating the largest lead-zinc mine in the world, produces all of the refined lead and more than 70 percent of the refined zinc in Canada; Hudson Bay Co. produces the remaining zinc. These companies are not American owned.

The American Smelting & Refining Co. operates in the United States, Mexico, South America and has interests in Australia.

Some of the lead and zinc imported from Africa comes from mines in which Newmont Co. has interests.

All of the zinc metal imported from Peru is reported to be produced by Cerro de Pasco Corp., an American company.

It is estimated that probably around one-fourth to one-third of the ores and metals, of lead and zinc imported into the United States in 1954, came from American companies operating abroad, mostly from Mexico.

Sincerely yours,

OTTO HERRES.

Mr. HERRES. The domestic industry has suffered heavy losses and distress has come to many communities.

A national committee was organized 2 years ago in an effort to cope with the emergency confronting the industry. The committee represents every lead-zinc mining district in the country from New York, New Jersey, and Virginia in the East, Tennessee, the Central States of Kansas, Oklahoma, and Missouri, and the Rocky Mountain region to California and Washington on the Pacific coast. Lead-zinc mining is a nationwide business. I was called upon by the industry to act as chairman of the emergency committee.

Producers of lead and zinc have been on the defensive against policies that threatened to destroy their very existence for nearly 20 years. Workers in the mining industry believe in reciprocal trade and favor trade agreements that are truly reciprocal. But they question the wisdom of permitting the destruction of an industry essential to the Nation's security and well-being by excessive imports of ores and metals that can be produced advantageously at home. If a healthy lead-zinc mining industry is to survive in the United States experience should teach us that there must be some restriction on imports flooding our markets from the low-wage areas of the earth.

Senator MALONE. At that point, Mr. Herres, is what you need to protect the industry something that represents the differential in cost here, and in the chief competitive country, because of duty or tariff. Is that what you need?

Mr. HERRES. We need something of that nature, Senator. All we want is an even break with the other fellow. Their must be some way of giving us an even break, or some restriction on these imports.

Senator MALONE. Wasn't that the original idea of the Tariff Act of 1930, when it directed the Tariff Commission, an agency of Congress, to determine the differential cost between this Nation and the chief competitive nation, and to recommend that as the tariff?

Mr. HERRES. If Congress would do that, that would solve our problem.

Senator MALONE. In 1934, we changed the entire picture and left it to the President of the United States, whoever he may be, to take

into consideration other factors, like the overall good of the economy and the relations of industry in this country with international political factors, and ignore entirely that differential if he so desires. Is that about right?

Mr. HERRES. That is about right, although in effect the decision seems to be in the hands of the State Department and the State Department is more interested in promoting foreign production than it is in protecting American industry.

Senator MALONE. I think you and I know that has been a fact, but the law does say, "The Chief Executive," doesn't it? And then he allows any of his Cabinet officers or whoever he so desires, to give him the information.

Mr. HERRES. That is my understanding.

Senator MALONE. Thank you.

Mr. HERRES. After World War I an emergency tariff was needed almost immediately to protect agriculture from a flood of imports. Today agriculture is protected by quotas and import restrictions; otherwise the farm price support program soon would be submerged by a deluge of imports from all parts of the world. The lead-zinc mines are not asking for price supports. But workers in the mines would appreciate consideration and the same protection that is afforded their brothers of the soil. Metals as well as food are essential to the strength and good health of our country.

We appeared before your committee 10 years ago and pointed out that a 20-percent reduction in import duty on zinc resulting from a Canadian trade agreement signed November 17, 1938, was a serious blow to the domestic lead-zinc industry. Far more zinc came in from Mexico than Canada. Prices dropped compelling several mines and smelters to close; wage cuts were forced in some districts and the search for new ore reserves became uneconomical. The duty on slab zinc was reduced from 1.75 cents per pound to 1.40 cents, but on the average East St. Louis price of 4.61 cents per pound for the year 1938, the reduced duty at least amounted to about 30 percent of the selling price.

Today with duties reduced still further under subsequent trade treaties to seven-tenths of a cent per pound of zinc, the duty amounts only to about 6 percent of the current market price of 11.5 cents.

This is even less protection than is afforded to our most efficient mass production industries such as steel and automobiles.

In April 1938, the United States Bureau of Mines stated that the proposed reduction in tariffs on lead and zinc was not in the public interest if considered from the standpoint of national defense. But State Department views triumphed over experienced advice and reductions were made with the usual consequences under such circumstances. A critical shortage of zinc developed and existed during the opening years of World War II until idle plants could be rehabilitated and new mining operations gotten underway. Soldiers had to be returned from the Army to work in the mines. Men died because the Nation was not adequately prepared.

Again in 1950 at the request of the States of Utah, Nevada, and New Mexico, we appeared before the committee for reciprocity information in opposition to further cuts in the zinc tariff proposed in trade-agreement negotiations at Torquay, England. The three States

under normal conditions produce in excess of 100,000 tons of zinc a year.

It was pointed out that American mines producing complex lead-zinc ores would suffer serious injury from further tariff cuts in competition with imports produced at lower wages paid in devalued currencies and assisted with ECA dollars. Today the lead-zinc mines of Nevada and New Mexico are standing idle, many of their miners are unemployed and nearly 60,000 tons of their zinc is no longer being produced.

The zinc-mining industry asked only for an even break—a place on the high plateau with other industries in the United States which are supported to a considerable degree by all manner of more or less disguised subsidies and Government credit, or an adjustment of domestic prices to the same world price level proposed for zinc. It is not possible to have two incompatible economies without trouble coming to one or both of them. Zinc miners cannot do business on the low-wage metal prices of a war-impooverished world in a high-wage country.

But once more State Department views prevailed. Rather than protect the domestic production essential for national defense and security during these critical times, the State Department negotiated another tariff reduction at Torquay and supported a program for financing expanded foreign production of metals. And when the Korean war came the country again experienced a shortage of zinc.

The mineral policies of the State Department over the past 20 years have been responsible for metal shortages during two wars of this period and price instability that has been harmful to producer and consumer alike. No effective protection is available to the domestic mining industry against the dumping of metals on our markets from low-wage countries that have devalued their currencies. And no safeguard of consequence has been available to the consumer against shortages in times of heavy demand, or excessive prices on foreign metals during periods of shortage.

Senator MALONE. When they devalue the currency or revalue the currency in terms of dollars following a trade agreement, what does it do to the trade agreement?

Mr. HERRES. It has the effect of a wage reduction in the foreign country and nullifies whatever protection the domestic industry in this country may have, or it reduces the effective amount of that protection.

Senator MALONE. Proceed.

Mr. HERRES. Unfortunately the same difficulties of shortages and abnormally high foreign prices on the basic metals, and the same hardships from restrictions on consumer use are likely to be suffered again when the next great crisis arises, unless the mines of this country are permitted to operate and develop the ore reserves needed for future production of metal essential to national defense.

Senator MALONE. What in the meantime does it do to the national economy in this sector, to have these trade agreements made that have this effect, regardless of the demands of national defense that may become acute at any time.

Mr. HERRES. The trade agreements deprive the industry of protection or damage the workers and the industry is destroyed.

Senator MALONE. That is what they have done; isn't it?

Mr. HERRERES. That is in effect what is going on now.

Senator MALONE. What would you say of the percentage of zinc miners who are actually out of work and the number who are on the verge of it, if there apparently is no hope to revert to a principle of protection?

Mr. HERRERES. During the past 2 or 3 years, one-fourth of all the lead-zinc miners in the United States have lost their jobs and industry has reached depression lows. For the year 1954 which just ended, the production of lead and zinc in this country from the domestic mines was the smallest it has been for any time since 1931 to 1934. Yet at the same time the smelter production of zinc in this country was making new records. It set a new record for the month of January, operating largely on imported ores and concentrates which have supplanted much of the domestic output.

Senator MALONE. About what percentage of the employees are endangered if no change in principle is anticipated? During the next year or two, we will say? If there is no change in the principle that we have had for 20 years, how many are endangered?

Mr. HERRERES. This sort of thing can go on and get worse because many of the mines today, that are still in operation, are continuing on hope that Congress will recognize the problem and provide some relief.

Senator MALONE. Some run at a loss rather than run the expense of reopening.

Mr. HERRERES. Some are operating at a loss today, because they are hoping some relief will be provided by Congress and it is less expensive for them to operate their mines at a loss than to have their mines idle.

When the extension of the Trade Agreements Act for another year was before your committee for consideration 2 years ago, we filed a statement calling attention to the emergency confronting the lead-zinc mines because of excessive imports and pointed out the need of constructive action for the preservation of the industry. It was stated then and it is true today, that unemployment and heavy economic losses are troubling communities. Small independent companies unable to obtain financial support because of the depressed price of zinc are being forced out of existence, but we cannot believe that it is the policy of Congress to liquidate small business in this country. The industry proposed at that time and urges now, action to restrict excessive imports of lead and zinc but only when they are offered at prices that will destroy the lead-zinc mining industry of this Nation.

But high officials from the executive department of the Government acknowledging the predicament of the mining industry, advised the mines to seek relief through the escape-clause provision of the Trade Agreements Act rather than by legislative means.

Pursuant to a resolution of the Committee on Finance, July 27, 1953, and the Committee on Ways and Means of the House of Representatives, July 29, 1953, the United States Tariff Commission instituted a general investigation of the domestic lead and zinc industries, including the effect of imports of lead and zinc on the livelihood of American workers. And following the recommendation of administration officials the industry petitioned for escape-clause relief.

In May 1954, the United States Tariff Commission reported unanimously to the President that lead and zinc ores and metals were being imported in such increased quantities as to cause serious injury to the domestic industry. The bipartisan Commission recommended:

It is necessary that the rates of duty 50 percent above the rates existing on January 1, 1945 * * * be imposed for an indefinite period.

Because of the customary opposition from the State Department, however, the President did not follow the experienced advice of the Tariff Commission. But he did recognize the injury to the mining industry and the need for providing relief in his directive establishing a long-term stockpiling program for lead and zinc on August 20, 1954.

In October 1953, the President expressed concern over "depressed conditions within numerous metal mining districts" of the Nation and set up a special cabinet committee to determine how the United States can maintain sufficient raw materials to meet "any contingency during the uncertain years ahead."

And a year later, in November 1954, the President's Cabinet Committee on Minerals Policy recommended an orderly but vigorous development of domestic mineral resources, warning that:

Mines of the future must be planned today—not a decade hence.

And they added:

a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States.

The President has stated that he is prepared to make appropriate recommendations to Congress if the objectives of adequate market prices and recognition by foreign countries that the stockpiling purchases are designed to help domestic production are not achieved. But since August the price of zinc has advanced only one-half cent, from 11 cents per pound to the current quotation of 11½ cents.

For the year 1954 an average of 41,460 tons of zinc a month from foreign ores in addition to an average of 13,444 tons of imported slab zinc, a total of 54,904 tons, average per month, entered the United States consumption while the output of the mines at home was dropping to an average per month of 38,750 tons.

Excessive imports of foreign ores have been taking over a larger proportion of United States smelter production at the expense of the Nation's mines. Domestic mine output of zinc consequently has been reduced to less than 39,000 tons a month from an average of 60,000 tons a month in early 1952. Smelter production of zinc is at an all-time high while mine output of lead and zinc is the smallest since the depression years, 1931-34.

Is it in the public interest to permit an industry which is the largest of its kind in the world, and which is essential to national defense and security, to be priced out of existence by a flood of foreign lead and zinc offered at less than the average cost of domestic production?

President Truman's statement to Congress of May 25, 1945, seems to have been forgotten:

I have had drawn to my attention statements to the effect that this increased authority might be used in such a way as to endanger or "trade out" segments of American industry, American agriculture, or American labor. No such

action was taken under President Roosevelt and Cordell Hull, and no such action will take place under my Presidency.

It would seem that miners can put little faith in political promises.

In June, 1950, we stated to the Committee for Reciprocity Information:

Basing our opinion on experience we have no high hopes of receiving consideration for our mining industry at the hands of the State Department, nor that the petition for relief which we plan to present under the "escape clause" will be approved, regardless of how logical our case may be. And we believe that the State Department by hasty and ill-considered action in opening our markets to free competition with goods produced far below our wage levels and living standards can bring on unemployment and invite disaster.

Time has shown that our fears were not unfounded.

A few weeks ago President Eisenhower told Congress with respect to the Trade Agreements Act of 1954:

No American industry will be placed in jeopardy by the administration of this measure.

As far as zinc is concerned we do not anticipate any further reduction in the duty for the simple reason that the tariff already has been cut so low that anything more is hardly worth the bother.

We have been furnishing assistance to European countries by providing billions of dollars to feed their populations, rebuild their industries and restore their trade and we are giving them arms and munitions for defenses against Russian aggression. But now that farms, factories, and mines of the free world are recovered from the devastation of war, Europe and other countries and their colonies are producing much larger quantities of goods for export and the problem is arising of how to protect our workers from the competition of this production that we have helped to reestablish and are giving our support. The State Department told Congress recently that the United States should help other countries sell goods here by lowering our protective tariffs, but because this would allow foreign goods to undersell American goods, it is suggested that the Government provide relief for the American enterprises that would be put out of business. When he was Administrator of the Marshall plan, Mr. Paul G. Hoffman proposed that if there must be some relief in this situation that it be given directly. He seemed to feel that as the Government has responsibility to labor made idle by increased competition of imported goods, relief should be afforded by unemployment insurance and temporary Government assistance furnished to the industries that would be put out of business by reconversion to some new line of work. It may seem a bit absurd that the State Department and the ECA should have to argue over how to help American enterprise survive world competition under a free-trade program. Even in times like this it is somewhat odd to have to consider that a competitor you have set up in business and who is dependent upon your prosperity for support, may put you out of commission.

The State Department proposal offers bigger and better fields to the economic planners for spending and extending their bureaucratic regulations and controls. These doctors will never run short of patients as long as one remedy calls for another. Under the proposal they can pay subsidies to Europe and Asia and then subsidies to business in this country for protection against the subsidies given to Europe and Asia, all at the expense of the American taxpayer. A

possibility of further tariff cuts aiding imports probably is greatly overrated and of little consequence to foreign producers, compared to the probable harm that may come to some segments of industry and sections of our country. What seems difficult for people inexperienced in business to understand is the effect of bringing even a small surplus of goods to a market that already is amply supplied. Unless imports are cheaper either by reason of price or quality, they do not come in. But if they are cheaper, the competitive effect is to lower the domestic price structure, thereby causing far greater losses to domestic producers than the relatively small volume of the market they take over. Competitive goods from Western Europe may amount only to \$1¼ billion annually, compared to \$140 billion home production, as Mr. Hoffman said, but if their price is a tenth lower the loss from competition with the foreign goods may be \$14 billion and not just the \$1¼ billion worth of goods displaced. Or, for example, if capable workers in a community are willing to work for \$40 a week when those employed are getting \$80, how long will the prevailing wage hold before there is trouble?

The administration has promised to try to maintain full employment of American workers. Mr. Hoffman's unemployment insurance is not likely to prove a satisfactory substitute either for political promises or high wages, and displaced communities are not apt to be very happy over reconversion prospects. Nor will the plan to maintain domestic production by means of subsidies make much room for more imports. Neither proposal seems to have solved the problem. There are far greater barriers to world trade today than what little remains of the American tariff system. World trade will flow more freely when the countries getting our aid remove some of the real barriers between themselves, such as currency restrictions, export and import controls, quotas and state trade. Then they can do more business with their next-door neighbors, where their goods and trades are more needed, than by us. Subsidies and unemployment insurance to industries and workers in the United States are not the right answer.

But the President on August 20, 1954, in directing expanded stockpiling purchases for lead and zinc stated that he is prepared to make appropriate recommendations to Congress if the objectives of adequate market prices and recognition by foreign countries that the stockpiling purchases are designed to help domestic production are not achieved.

It is becoming increasingly evident that stockpiling is not accomplishing its avowed purpose. The problem is one of supply and demand. Stockpiling will not cure an excess supply of foreign lead and zinc flowing to this country. To the extent that it increases prices it will encourage more imports as well as the expansion of foreign production which will be shipped to our markets.

That leaves only one logical answer; namely, restriction of excess imports, but only when they are offered at prices that will destroy the lead-zinc mining industry of this nation.

Lead is being purchased under the President's stockpile program at 15 cents per pound. No definite information is available to industry as to the ceiling price on zinc purchases, but indications are that the zinc price may be 13 or 13½ cents per pound.

With consideration to the President's objective of bringing about "the attainment of market prices for lead and zinc that are sufficient

to maintain an adequate domestic mobilization base," we respectfully recommend that the committee include in the Trade Agreements Act a provision imposing an excise tax of 3 cents per pound on imports of lead and zinc, respectively, whenever excessive imports cause market prices to fall below the levels that are sufficient to maintain an adequate domestic mobilization base.

Because of the President's promise to make appropriate recommendations to Congress if needed to accomplish the purpose of attaining adequate prices, we hope for the assistance of the administration in the enactment of this proposal. We respectfully recommend that the committee call upon the Office of Defense Mobilization and the United States Tariff Commission for advice as to the adequacy of the suggested ceiling prices of 15 cents per pound, New York, for lead and 13½ cents per pound, East St. Louis, for prime western grade zinc.

Obviously the ceiling prices should be based on a commodity index to adjust for conditions of inflation or deflation.

The excise tax should be suspended for the protection of the consumer whenever the market reaches reasonable ceiling prices that will permit the industry to survive. There is a precedent for our proposal in the excise tax of 2 cents per pound on imports of copper. That tax now is suspended as long as the price of copper remains about 24 cents per pound.

We speak from many years of experience in producing raw materials and from many years of working with men who have to depend on the productive resources of this country for their living.

Our problems involve the welfare of the country. Let the industries of the United States produce new wealth and prosper and we will have money to spend and invest in foreign countries to help others raise their standards of living. But we will sell more automobiles by keeping our mines in operation, and our farmers prosperous, and our railroads running, than we are going to sell by displacing our production through imports.

The lead-zinc miners, as I have told you, have been striving for years to get a square deal for our industry. No one in Washington has been able to dispute the fact that a basic industry essential to the national defense and civilian welfare has experienced serious injury. We now appeal to Congress for consideration. It is the constitutional responsibility of Congress to enact the tariff laws and not the State Department.

Senator BENNETT. I want to commend Mr. Herres for his statement. I have one question, just for the record. The present duty on zinc is 0.7 cent per pound. What is the equivalent percentage, on the present value of the zinc? Isn't it about 5 percent?

Mr. HERRES. It is close to 6 percent at the present time.

Senator BENNETT. Of course, as the price goes up, the percentage goes down.

Mr. HERRES. The percentage goes down.

It might be interesting to note that the tariff prewar amounted to approximately 30 percent ad valorem on lead and zinc, and while the State Department has cut the tariff 50 percent, because of inflation the effect has been to cut our protection from 30 percent down to somewhere around 5 or 6 percent. The inflation has helped.

Senator BENNETT. There was only 1 cut of 50 percent in the theoretical tariff rate?

Mr. HERRES. That is correct, after the first Canadian cut in 1938.

Senator BENNETT. So what is the corresponding percentage tariff on lead, if zinc is between 5 and 6?

Mr. HERRES. The same is true of lead. The prewar protection on lead was approximately 30 percent. The price of lead, today, is 15 cents and the duty is $1\frac{1}{16}$ of a cent per pound, so the available protection is somewhere around 7 percent of the market price. That, as I pointed out, is less than the protection on our most efficient industries, such as automobiles and steel.

Senator BENNETT. On the basis of those percentages and the present price, if the Tariff Commission's proposal were followed and the tariff were increased 50 percent to 9 percent in the case of zinc, and, let's say, $10\frac{1}{2}$ percent or 11 percent in the case of lead, that would not supply you adequate protection, because of the effects of inflation? Is that a fair statement?

Mr. HERRES. That is a correct statement, although if the Tariff Commission recommendation was approved, or still would be approved by the President, it would be very helpful.

The recommendation is 50 percent over the tariff which was in effect on January 1, 1945, and that varies slightly from the 50 percent.

Senator BENNETT. Let me ask you the question in another way: If the Tariff Commission recommendation were approved, how would that compare with your suggestion of approximately 3 cents a pound excise?

Mr. HERRES. It would differ in two respects. In one respect, if the Tariff Commission recommendation was approved, it would be a flat tariff on lead and zinc, regardless of the price.

Senator BENNETT. I was thinking in terms of money, rather than in terms of the operation of the two approaches.

Mr. HERRES. It would be somewhat similar, if this 3-cent excise tax would be imposed in addition to the nominal duty that is now in effect, but we propose for the protection of the consumer, the same plan that is now in effect with copper, that whenever the price reached a level that is adequate to maintain the industry and permit it to survive, we would be willing to see that excise tax suspended.

Senator BENNETT. If the industry were permitted to have its choice, would it prefer the tariff route? Would it prefer to have the recommendation of the Tariff Commission adopted, or would it prefer this 3-cent excise tax?

Mr. HERRES. Let me answer that this way, Senator, which is probably the best I can do: The entire industry, without exception, engaged in domestic mining appeared before the Tariff Commission in support of a petition for escape-clause relief. They pointed out that the additional tariff available under the escape-clause action was not adequate to permit all of the mines in the country to reopen, or to operate, but that it would be helpful, and they feel, today, that if the President approved that recommendation and we got the additional tariff, and he carried out the recommendation of his cabinet policy committee to maintain this stockpiling purchase program on a basis to provide relief for distressed communities at such time as it was needed, that that would go a long way to help the industry.

There are many in the industry who feel this proposal that I have just presented would be more effective and would provide greater stability, which is needed both by the industry and the consumer.

Senator BENNETT. Has the industry's experience with the copper tax been generally satisfactory?

Mr. HERRES. It was when it was in operation, but for the past 16 years we have had no normal competition in world trade, and there is no normal test, today, of the copper excise tax, for the reason that there has been a shortage of copper ever since the war days, and it has been made worse by labor troubles in various parts of the world. There was a big strike in the mines of Chile early in the year—in the past year—and during January and February there have been some 31,000 miners on strike in the copper mines of Africa. At the same time, the Government stockpiling program for the defense program has been continued, and the Government has been in the market for copper to build up the defense stockpile. So there has been no normal competition in copper for many years, because of these world conditions and shortages, but the people in the copper industry feel that that form of protection is good.

Senator BENNETT. Is it applied to any other metal now besides copper?

Mr. HERRES. That is the only one at the present time that I know of, although it was applied to lead and zinc during Korean emergency. You will recall that Congress suspended the tariff on lead and zinc when the Office of Price Stabilization fixed ceiling prices. The ceiling prices for lead and zinc were fixed at 19 cents for lead and 19.5 cents for zinc, and while those prices were in effect the Congress suspended the tariff, with the provision that whenever the prices dropped back to 17 cents a pound the President should restore the suspended tariffs, so we have had instances of this procedure, both for lead and zinc, as well as the excise tax on copper, which was first enacted by Congress during the thirties. And at the time that excise tax was first imposed it was 4 cents a pound, but the State Department in some of their trade negotiations have cut it 50 percent, so it is now 2 cents a pound, and it is now suspended, while the price of copper is above 24 cents. Today, as you know, because of the world shortage of copper, the price in this country has increased to 33 cents, and on the London metal exchange recently it has been as high as 45 cents a pound.

Senator BENNETT. So there is no need for this—well, it has been some time since the excise tax has actually operated, as you point out.

Well, I think those are all my questions, Mr. Chairman.

Senator MALONE. Do you have any questions, Senator Kerr?

Senator KERR. Mr. Herres, on page 6 of your statement, the first full paragraph, you say:

This leaves only one logical answer, namely, restriction of excess imports.

Isn't it your judgment that in reality that is the only effective remedy?

Mr. HERRES. That is correct, Senator.

Senator KERR. Either that, or a tariff which would amount to the differential in cost of production.

Mr. HERRES. Yes. Sufficient tariff to permit our mines to survive in this country.

Senator KERR. So, in reality, the 3 cents excise tax, while it might be helpful, it isn't an amount equal to the differential in cost?

Mr. HERRES. No, but if it was started to operating at an adequate base it would afford us relatively good protection. I think most of the mines in the country would feel that that would be very helpful.

Senator KERR. It would be much better than what you have.

Mr. HERRES. Oh, yes. Far better.

Senator KERR. If the problem exists with any domestic industry competing with an abundance of foreign supply which can be produced at a far less cost—if you get a remedy for any industry in that situation, it has to be on the basis of curtailing of imports to the extent you can produce at home the supply you are making, or a tariff equal to the differential in cost of production?

Mr. HERRES. That is right. If it wasn't for restriction on imports, your commodity credit program for agriculture wouldn't last, at all.

Senator KERR. It would break any government.

Mr. HERRES. Senator Ed Johnson, now Governor of Colorado, proposed a community credit plan for lead and zinc, but without some restrictions on imports, all that would do would be to unload all of the lead and zinc in the world in the United States.

Senator KERR. Furnish a support price for world production instead of our own?

Mr. HERRES. And it would get worse, because with our wages and living standards, the price would have to be high enough that it would encourage expansion of production all over the world, and we would just be flooded with lead and zinc.

Senator KERR. We don't even have price supports on basic commodities, here, except with a program to control production.

Mr. HERRES. Control production, and a restricted import.

Senator KERR. The same principle would have to be implemented in the program for lead and zinc, or any other domestic products faced with competition of world production. It would have to be the same.

Mr. HERRES. That is right, and the mining industry would prefer not to come under government control. We prefer free enterprise.

Senator KERR. That is all.

Senator MALONE. Your questions have been very helpful, Senator Kerr.

Mr. Herres, I didn't hear you say what you would prefer, whether you would prefer that this act that we are discussing be extended or allowed to expire on June 12, 1955. Could you express an opinion?

Mr. HERRES. As I pointed out in my statement, Senator, the act and the proposed extension of it affords us absolutely no protection; so far as we are concerned, unless the Congress sees fit to make the act effective, we'd just as soon see it expire.

Senator MALONE. If it does expire, don't the trick organizations like the General Agreement on Tariffs and Trade that have been manipulating the tariff structures of the nations, and these new organizations like the one just created by resolution through the Assembly of the United Nations, and international trade organizations, and the International Materials Conference, don't they fall of their own weight if we don't extend it, and wouldn't that be some protection?

Mr. HERRES. As far as our industry is concerned, we are opposed to having the industry of the United States come under any international regulation or controls. We prefer to see the responsibility for our industry in the hands of Congress.

Senator MALONE. Well, it is not in the hands of Congress now, and if we extend the act, it is still in the hands of the Executive as transferred from the congressional responsibility according to the Constitution, to the Executive and if we extend the act, it remains there; doesn't it?

Mr. HERRES. We hope that this committee and the Congress will see fit to place the responsibility back in the hands of Congress in one way or another in the judgment of the committee.

Senator MALONE. To do that, you may just have to sit still and not pass any extension?

Mr. HERRES. That would be one way and as I say, the act at the present time is nullified, as far as any protection to our industry is concerned.

We tried everything we could under the act and we have no recourse, no protection, except to appeal to Congress.

Senator MALONE. If we allow the act to expire, any product upon which there is no tariff agreement is immediately referred to the Tariff Commission, an agency of Congress. Where there is a trade agreement they continue in effect until the President of the United States serves notice for cancellation. Then in due course they would revert to the Tariff Commission.

Mr. HERRES. In that event, we would want to go before the Tariff Commission and make our case for protection.

Senator MALONE. If the President served notice on a nation with which the trade agreement was made for lead and zinc, a notice of cancellation, then upon your application the Tariff Commission could again take up the question of the adjustment of the flexible import fee as set down in 336 of the Tariff Act and fix it, and then, on the basis that the Senator from Oklahoma has just suggested as one way to do the job, and that is the differential cost between the production, here, and that in the chief competitive nation. Isn't that what it provides?

Mr. HERRES. That is my understanding, and I hope that if any such action as that is taken that the Congress will see fit to have the Tariff Commission report to Congress its recommendations, rather than to the State Department.

Senator MALONE. I think that is a good idea, and a very simple amendment to the Tariff Act would do that, would it not?

Mr. HERRES. That is my understanding.

Senator MALONE. Wouldn't that be the logical way to do it and have it on a principle laid down by Congress, of fair and reasonable competition? You are not afraid of fair and reasonable competition, are you?

Mr. HERRES. We are not. All we want is a square deal.

Senator MALONE. That is what I gathered from your testimony. You would prefer, then, I take it from your testimony, that the act not be renewed?

Mr. HERRES. That is the way we feel about it. If it affords us no protection, it might just as well be wiped out.

Senator MALONE. If you had your way about it, would you prefer that it not be extended and gradually get back to that fair and reasonable protection that the Tariff Act originally afforded?

Mr. HERRES. That would be quite satisfactory to us, and the American Mining Congress, and many of the other mining associations throughout the country have gone on record to that effect.

Senator MALONE. As a matter of fact, did not the American Mining Congress in its convention pass a resolution asking that the 1934 Trade Agreements Act be allowed to lapse?

Mr. HERRES. That is correct.

Senator MALONE. As a matter of fact, didn't the Colorado Mining Association pass a resolution asking that it not be renewed?

Mr. HERRES. Yes, sir, they did.

Senator MALONE. And that there be no international organization allowed to regulate the domestic economy of this Nation?

Mr. HERRES. That is correct. They passed such a resolution in February of this year.

Senator MALONE. Now you agree with those resolutions?

Mr. HERRES. Yes, sir.

Senator MALONE. That just about covers the situation as far as the questions I noted were concerned in your testimony. I think you made a very good statement. Your suggestion of a 3-cent excise tax, when it goes below a certain base price, which of course is not operative at the present time—there is no base price set, but if it goes below a certain base price that you think is a fair price, then that excise tax would be helpful in holding the price up. But if it went below—15 cents, I believe you mentioned for lead—

Mr. HERRES. Fifteen cents for lead, I mentioned.

Senator MALONE. If it went below 12 cents, then your 3 cents wouldn't be very helpful.

Mr. HERRES. If the price of lead went there, the 3 cents excise tax would prevail from there on down.

Senator MALONE. At 12 cents, you would be getting below 15 cents.

Mr. HERRES. If the market price in this country went to 12 cents, this 3 cents would still be quite effective.

Senator MALONE. With 11 cents, you would get 14 cents?

Mr. HERRES. No. The way it would work is, if the market in this country went to 12 cents, we would get 12 cents, but the importer would pay the difference between 12 cents and the excise tax, or 9 cents, so that would afford us some protection.

Senator MALONE. It would afford some protection, but only to the extent of the 3 cents, and if it went to 10 cents, then it would only afford a 13-cent theoretical protection.

Mr. HERRES. I think we would be satisfied if the market price went to 10 cents and we had a 3-cent excise tax.

Senator MALONE. Yes.

Now as you suggested, however, that if it could be on a basis of fair and reasonable competition, and the difference represented by a duty, you would be better satisfied?

Mr. HERRES. Yes, if that could be worked out.

Senator MALONE. That would be worked out providing we did not extend the act and the President saw fit to cancel the trade agreements that cover lead and zinc?

Mr. HERRES. We would be satisfied with any such arrangement.

Senator MALONE. Of course.

Now I was very much interested in your description of the 2-cent excise tax on copper being operative above 24 cents. You are aware that in some instances, here, this is a 25-cent guaranty by the Government that is in effect?

Mr. HERRES. Yes, sir; there are a number of Government price guaranties in effect under the Defense Production Act for the expansion of copper properties.

Senator MALONE. In this matter of the suspension of the duty, or the excise tax on copper, there being 3 companies in the United States—2 of them international, importing copper as well as producing it in a domestic manner, with no protection whatever—that absolutely precludes any new company going into the field here, doesn't it?

Mr. HERRES. Not with respect to copper, because there is an abnormal condition in copper.

Senator MALONE. What is that condition?

Mr. HERRES. There are some new companies going into the field because the price of copper is high, but if it was lead and zinc, I would say you were right.

Senator MALONE. Well, aren't you right anyway, because by the time you bring in a new mine, 3 or 4 years have elapsed and if the price goes down, you have no protection, at all?

Mr. HERRES. Yes, that is correct. The great trouble with the mining industry, today, is that there is no assurance for the future.

Senator MALONE. That is right.

Mr. HERRES. As you know, many of the mineral industries are being supported by purchase programs or subsidies of one kind or another that are in effect temporarily. They all have a dateline on them.

Senator MALONE. So if someone here, just by an Executive order, wants to, he can make or break you and as a matter of fact, no new money will go into the business?

Mr. HERRES. That is right. They can't see far enough ahead to invest large sums of money, even in uranium which is the booming mineral of today. The uranium miners are concerned as to what their situation will be after 1962.

Senator MALONE. Unless the act is extended, you will have to have a tariff on uranium to stay in business in 5 years. There is no question about that, at all.

Mr. HERRES. They are finding uranium in all parts of the world.

Senator MALONE. I said in a congressional report in August of last year that in 2 years if we treated our taxpayers half as well as we treated the foreigners, uranium would be running out of their ears in this country. Of course, everybody knows that now.

I think I understand how you can run a new copper business, when you get a \$90-million loan from the Government as one company did in Arizona. One could start a new business. That would start nearly every business. But not everybody can get a \$90-million loan from the Government, so I am talking now about a new investor who rakes up his own money or his friends' money or stockholders' money, and goes into a business where it takes 3 or 4 or 5 years to get into production, where there is no principle laid down for protection of that industry. How are you going to get the new money?

Mr. HERRES. It takes a good many millions of dollars to open a copper mine, today, unless the investor can see far enough ahead to justify the investment and see some return of the money; if he can't he won't open a new copper mine.

Senator MALONE. You wouldn't say that the stability of the economy in any mining industry, that this system of invoking a 2-cent excise

on copper would be very successful in bringing new capital into the business?

Mr. HERRES. No; that wouldn't be adequate if copper gets into the condition that lead and zinc is in, today, and many of the copper producers foresee that some such circumstance is coming up.

Senator MALONE. That is right.

Now, I was very glad that you mentioned the fact that a very small amount of imports sometimes vitally affects a market and has a vital effect on price. That is what you tried to say, wasn't it?

Mr. HERRES. Look what it did to zinc. In the last 2 or 3 years, the excessive imports have put 200,000 tons of domestic production out of existence. It drives the price down, we say, from 15 cents to 10 cents. It was below 10 cents a year ago. The domestic industry, if you do a little simple arithmetic, you will find has lost a gross income of \$105 million on that basis, and the foreigner has gained \$10 million, and he has had to send in 200,000 tons more zinc to get the extra \$10 million. It doesn't help him very much, and it does great damage to the domestic producer.

Senator MALONE. So what happens, this relatively small amount of imports in the beginning broke the price 4 or 5 cents and turned about 90 percent of this ore, out there, into country rock, didn't it?

Mr. HERRES. That is what it does.

Senator MALONE. It is a very simple operation. But these hand-raised economists and engineers who are around Washington don't understand that. I think it is all proportional, that you would only cut the amount. You cut the price, here, in proportion to the amount imported, in comparison to the full market. They just don't understand that. Of course, they have never met a payroll and they have never operated a mine. They are in a very dangerous quandary in Washington, D. C. That is what makes this a very dangerous town in the United States of America.

Mr. HERRES. I think Senator George, of your committee, made a very pertinent observation in that respect a few days ago when he said he wished the administration of some of these affairs was in the hands of more practical men. Many of us in industry join with him in that thought.

Senator MALONE. We have had 20 years of it, and there doesn't seem to be very much prospect of improvement, because a man who can make money in anything else won't take one of the jobs, and therefore you get either ones who have failed in business or else ones just out of school who can write a good report. Now, that has been going on a long time in Washington. But it is only in the last two decades that we turned it over to them. Congress did maintain a principle up to about two decades ago.

Now, I didn't understand you to say how many mines were operating out there in the three States that you mentioned. That was Utah, Nevada, and California. How many mines are operating there, now, if you have any idea?

Mr. HERRES. In the State of New Mexico, there isn't a single mine in operation.

Senator MALONE. How many were there before this reorganization of the tariff, or this great manipulation under the 1934 Trade Agreements Act?

Mr. HERRES. I had word from one of the operators in New Mexico a few weeks ago to the effect that there were 1,200 miners unemployed in New Mexico. New Mexico for the year 1954 did not produce a single ton of zinc but normally New Mexico produced 40,000 to 50,000 tons of zinc a year. The companies that operated the mines in New Mexico, the zinc mines, were among the best and most efficient in the world and the mines, many of them, are new mines, and they were operated by such companies as Kennecott, American Smelting & Refining Co., the Empire Zinc Division of the New Jersey Zinc Co., the United States Smelting & Mining and Refining Co., the Peru Mine Division of Illinois Zinc Co., and such people as that. The finest mining companies in the world.

Senator MALONE. How many men did they employ?

Mr. HERRES. They were employing 1,200 men in those mines, or approximately, according to the information I have.

Senator MALONE. How about the State of Nevada? I am interested in the situation out there.

Mr. HERRES. The State of Nevada, to the best of my knowledge, is producing practically no zinc today.

Senator MALONE. How many men did you employ in the zinc and lead business before the debacle hit us?

Mr. HERRES. Well, the operation with which I am most familiar, there were 600 or 700 men employed.

Senator MALONE. Where are they now?

Mr. HERRES. They are out of work.

Senator MALONE. How about Utah?

Mr. HERRES. Utah has some of the mines on part-time. Some are closed down. One of the biggest lead-zinc smelters in the country, the Tooele Smelter of International Smelting Co., an affiliation or operation of Anaconda Copper Co., is idle. There are some mines in Utah operating and the reason they are operating is that they lose less money than they would by standing idle. One of the best mines there stood idle for a year or two at the expense of \$25,000 a month or \$300,000 a year.

Senator MALONE. That is pumping, of course.

Mr. HERRES. Pumping and maintaining the mine. Another very good mine has in it quite a bit of water. They have to keep in operation in order to keep the pumps running. If they stop producing at a loss, their pumping cost would be prohibitive and if they stopped the pumps the mine would be lost forever. That is the reason why Utah isn't shut down. Some of the mines in Idaho are still showing good production because they have silver in the ore. They are mining zinc at a loss, at the expense of silver. That is, they are getting less for their silver than a normal return because of the zinc content of the ore.

Senator MALONE. How many people will be unemployed when the Congress shows that it is going to extend this act and they do not give this relief and they get discouraged enough to close a mine rather than run it in the red? How many men will be unemployed there?

Mr. HERRES. Well, there are some of these mines that are operating on the hopes that Congress will see fit to provide some relief. If Congress doesn't or the administration doesn't recognize the problem, these mines will close down as soon as they get the word.

Senator MALONE. How many men will that affect?

Mr. HERRES. A fourth of the miners are unemployed now and I would say about half of them would be. Some of them would continue extracting the ore. They die hard. They would mine the richer portions of the ore, and then the property would be ruined. They do that in order to exist for a while.

Senator MALONE. That is the same situation in all the mining States as far as the lead-zinc mining is concerned?

Mr. HERRES. That is true over most of the country.

I believe there is a miner here from the Tri-State Field that would like to be heard and I suggest you hear his story. That is one of the important districts that has been very badly damaged.

Senator MALONE. I think you have made a very good witness, Otto. I am perfectly familiar with your record over the years. You have always been a student and you have contributed materially to the information before this committee and we thank you.

Are there any further questions?

Senator KERR. Mr. Tom Kiser of the Tri-State district is here. Mr. Kiser is very familiar with the situation in the Tri-State area in the State of Oklahoma, where there are a great number of mines, many of them small operations acutely affected and keenly interested in this legislation. I would like for Mr. Kiser to be heard.

Senator MALONE. Mr. Kiser, bring up anyone you would like to and just have a seat here. Identify yourself for the record.

STATEMENT OF TOM KISER, REPRESENTATIVE OF THE SMALL-MINE OPERATORS OF THE TRI-STATE DISTRICT, KANSAS, OKLAHOMA, AND MISSOURI

Mr. KISER. My name is Tom Kiser. I represent the Small Mine Operators of the Tri-State district which is Kansas, Oklahoma, and Missouri. We have a population there, that is directly or indirectly concerned with our mining area, of about 85,000. In order to shorten this record, I might at this time, on behalf of myself and the small operators, endorse Mr. Herres' statement. However, I would like to add a small oral statement.

Senator MALONE. I would say, as far as the chairman is concerned—and I am sure it applies to the Senator from Oklahoma—you take your time, because this record is very important not only in the mining industry, but as it applies to the economic structure of this Nation. I have more time to listen to men like you, than I have for any other occupation on this Hill.

Mr. KISER. I certainly appreciate that. I think we can use it. However, we have no written statement.

Senator KERR. You just tell your story in your own words, Mr. Kiser.

Senator MALONE. Go right ahead.

Mr. KISER. Our condition is a very depressing one and it is continually growing worse. We have unemployment, decreased wages, and we are forced to do selective mining to survive. I feel qualified to speak here as a practical miner having 28 years in practical experience and in the last 7 years I have operated a small operation of my own, and still do. Our wages there range from about \$11.20 a day

to \$8. However, 1 day last year 2 young fellows came to me and said they had worked in the week preceding for \$2 a day. However, that isn't the general practice. Those fellows worked on a share-the-profits system or something trying to make a living.

Senator MALONE. They were doing that, perhaps—

Mr. KISER. To survive.

Senator MALONE. To survive until something could be done.

Mr. KISER. Now, the district as a whole is not proud of that and in a miner's terms they are not a damned bit proud of it.

Senator MALONE. In terms of where I come from and in terms of my own way of expressing it, it makes me sick to think that the Congress of the United States will let this continue, will let an act be extended that has no intention whatever of taking care of domestic industry.

Mr. KISER. This whole thing became a political football and has been kicked around some 3 years and we are beginning to have the same opinion you do.

We have to produce about a 5-percent grade of zinc in order to break even. That is rather hard. The average in the district, I would say, is about 4 percent. At \$68 or, that is, \$2.72 a rock ton on 4 percent, your royalty is 10 to 12½ percent and your milling cost runs from 95 cents up and some fellows have to have the ore trucked in. You get a mining cost of \$3.22.

Senator KERR. A mining cost of how much?

Mr. KISER. \$3.22. Mining and milling.

Senator KERR. \$3.22?

Mr. KISER. That is right.

Senator KERR. For how much?

Mr. KISER. A rock ton. That is mining and milling.

Senator KERR. And that is about 4 percent ore?

Mr. KISER. That is about 4 percent, so therefore, you have to have about 5 to break even, and 5 percent ore is rather scarce, sir.

Now, we have a large volume of low-grade ores in the tri-State district.

Senator KERR. Is it a fact that at a reasonable price there is a vast quantity of ore there yet to be processed?

Mr. KISER. Definitely. I am in that situation myself, as a small operator.

When I say we produce a low-grade ore, I don't mean low in quality, but a low percentage of ore. We produce a very high-grade ore. Even though we might recover 5 percent of it, the quality of that ore is the best.

Senator KERR. What is the price of the ore per ton?

Mr. KISER. The concentrates?

Senator KERR. Yes.

Mr. KISER. Zinc ore is \$68 on the open market, and lead \$184.

Senator KERR. Sixty-eight dollars a ton.

Mr. KISER. For zinc ore. That is concentrates.

Senator KERR. And it costs how much to mine and mill your rock per ton?

Mr. KISER. I would say a minimum of three and a quarter. That would depend on where you got your rock.

Senator KERR. What is the average?

Mr. KISER. I'd expect \$4 would be an average of mining and milling.

Senator KERR. Four dollars, and you have to mine 25 tons of rock to get a ton of concentrate?

Mr. KISER. That is right; at 4 percent.

Senator KERR. You have a \$100-a-ton cost in your concentrates and a selling price of \$68.

Mr. KISER. But you have overlooked some royalty there, Senator. We have to pay our royalties, but they are included—yes, they are included. I follow you now. Excuse me.

Senator KERR. The more business you do, the quicker you go broke.

Mr. KISER. That is right.

Now, including myself and a lot of other small operators and a few of the large companies, they have had to abandon portions of mines or completely abandon mines. In other words, take the bright spots.

Senator KERR. What percent of the operations are inactive at this time?

Mr. KISER. I would say 50 percent.

Senator KERR. Are they operations that represent 50 percent of the labor force?

Mr. KISER. I think so.

Senator KERR. You heard Mr. Herres say that he thought the best relief would be a measure to limit imports.

Mr. KISER. Definitely; yes.

Senator KERR. What is your recommendation as to the best thing to do, limit imports or a tariff covering the differential in cost of production, or what?

Mr. HERRERES. Senator, I am not too well informed on this, but my personal opinion would be to let the thing die. But certainly we of the tri-State district would like—

Senator KERR. To let the act die, in itself, as I see it, wouldn't solve your problem. As Senator Malone said, and as you know, if this act isn't renewed, we still have these trade agreements in effect under which you have the import situation which now bedevils you.

Senator MALONE. I hope that if the act dies, the President would see the point then of canceling these trade agreements and allowing it to go on a policy of fair and reasonable competition.

Senator KERR. He presses very hard for the extension of the act.

Senator MALONE. If we don't get it that is another thing.

Senator KERR. Suppose Congress extends the act and he doesn't extend the contracts? Then, they have no relief.

Senator MALONE. Then we, as Congress, go right in and pass an act?

Senator KERR. That is what I am talking to him about.

Mr. KISER. Senator, I didn't get my statement finished. Maybe through limited imports, but certainly we would like to be put on an even basis with our foreign producers. We feel just even would be sufficient.

Senator KERR. If the imports were limited to the amount that domestic production couldn't produce at a reasonable price, wouldn't that have a tendency to bring that condition about?

Mr. KISER. I think so.

Senator KERR. I thoroughly agree with you that you have to have remedial action, and I think it has to be by positive legislation.

Mr. KISER. I think so.

Now, Senator, you realize, a practical miner is almost a layman, but we know what we need to survive, and we don't want to have to walk on somebody else. We don't want the edge on anybody else. What we want is an even break. And I don't think that is asking too much. We contribute—I say “we,” I mean the employees and employers who pay taxes to support your own good United States, and why take the money that we pay, to support foreign trade?

Senator KERR. Well, as I see it, actually, the solution of your problem is disassociated from the program of foreign trade, other than to the extent that the foreign trade creates your problem.

Mr. KISER. I think that is right, definitely.

Senator KERR. I can understand how there would be a basis for the promotion of foreign trade that didn't injure you or some other American industry, as being a field of thought and operation, separate and apart from the solution of your problem. I think that your position—and with it I thoroughly agree—is that you are opposed to foreign trade which is stimulated by a Government program and the result of which is destructive to your industry?

Mr. KISER. That is right.

Now, I realize, too, that there could be laws passed or not passed which could affect us but are manipulated so that they didn't. We need to have something done. This thing just drags on and on.

Senator KERR. You need a better situation in which to do business or you are not going to be able to do business, and what you are interested in is Congress doing whatever it takes to bring that about?

Mr. KISER. That is right.

Senator KERR. Is there anything else you want to say? As Senator Malone said, this record is going to be the basis of considerations before the Congress in their deliberations on taking action on this matter and for your interests and the interests of those who are interested in your interests, we want you to make the record based on facts that you think supports your position.

Mr. KISER. I think we should include labor some more in this thing. Actually, I guess I am one who came up the hard way and speak somewhat for the laborers. Some people say, “Well, let those boys go somewhere else to work.” They have homes and families and if they move off and break their families up—it isn't just as easy as that, to just run up to Washington or somewhere and get a job. The man is experienced in his line, but he doesn't fit anywhere else too well.

By the way, there are two major unions who endorse this deal, they realize there has to be something done. They have approved one contract with a major company for, I believe, \$11.20 a day top pay, and another major union that has a contract with one of the large producers, is \$10 a day. Personally, I pay \$9.75 and I am not proud of it. You will find fellows in my class who pay \$5 or \$6 a day, and this one deal of \$2 is all I heard, but that is ridiculous.

Senator MALONE. They are just trying to hang on.

Mr. KISER. Sure. That's all any of us are doing. I normally work about 14 men. I have worked as many as 23, and now we have 6.

Senator MALONE. How many people in that entire area are normally employed when things are going fairly well?

Mr. KISER. I would say directly and indirectly with the mines, about 4,000. Now, I don't mean miners, but the pertinent industry in the whole area. I would say about 2,000 are there now.

Senator KERR. It is one of the important zinc and lead mining areas of the United States.

Mr. KISER. Definitely so, and it is an area that can step its production up, almost immediately with a proper price, unless it has been allowed to flood. There is an untold amount of low percentage ore within the Tri-State district.

Senator MALONE. Well, I only have this to say to you—and I agree with you that this idea that the State Department has, these theoretical hand-raised economists and engineers and ambassadors around Washington—that we should appropriate money and move these people some place else and compensate the investor who uses his money by virtue of these trade agreements, is poppycock. That is my personal opinion.

Mr. KISER. Well, they wouldn't like to be told to get up and leave their homes and families.

Senator MALONE. The reason I say that is this: For 100 years, almost, we developed this entire country on the basis of fair and reasonable competition, and would regulate foreign trade on that basis. Sometimes we are wrong on particular items. Sometimes it didn't work out so well, but it was a principle laid down. And that developed the whole country. If these people in New York and Washington now have their way, and had their way at that time, there would be no Oklahoma. The buffalo would still be out there, and the antelope out in Nevada running wild. They wouldn't develop that country. We are trading under this 1934 Trade Agreements Act—I call it a monstrosity—we are trading the production industries of this Nation, like your own, for a bunch of brokers on the waterfront, who take an override on everything that goes through the ports, both ways, without producing anything. About a 10 percent or 5 percent override, and they don't care where it is produced.

Mr. KISER. May I add here that the average miner is well aware of that. You might say he is illiterate. He isn't. He is pretty sharp. They read the papers and see television and listen to the radios and they make just about the same statement you have made.

Senator MALONE. I have worked in the mines with a shovel. I didn't have very much machinery, at that time. It was along in 1915 and 1916. I was a boilermaker's helper at one time. I can talk your language. But, even if I had nerve, I am for the development of this country. I lived in Oklahoma at one time down on that Washita River in 1907 or 1906, whatever time it was, where they have that red land, where it looks like somebody is bleeding, after the rains.

I don't know very much about your business down there, but I don't need to. What I am in favor of is for the miners and the textile people, the machinery, the machine tools, the crockery, the glass workers, and everybody to stay in business with a reasonable protection, that differential between the cost of production in this country and that in the chief competing nation.

Now, if you need more protection than that—in other words, if there is something wrong with the business, then probably there would have to be a special reason for keeping you in this business. But when that

differential in cost of production will keep you in that business, I think we are derelict in our duty in not providing it, and we can provide a special act, tomorrow.

I have had, Senator, a bill before this Congress continuously since I have been here—and it is right in this committee, now, that would reorganize that Tariff Commission, call it a Foreign Trade Authority, and give them full authority to determine the basis of fair and reasonable competition, at all times. And forget all this poppycock of giving one man the privilege of remaking the industrial map of the United States of America, in his own image, to allow more imports through lower duties in one industry and build up another industry theoretically, by selling the product abroad and getting the dollars that they secure through their increased imports in the other industry. I think it is an idiotic thing to start with, and because we are continuing it doesn't make it right.

All you have to do is to let the Trade Agreements Act expire. Everything that is not already under a trade agreement goes back to the Tariff Commission, an agent of Congress. On that basis I have already explained it several times today—I am amazed more people don't understand that. You do have a trade agreement on lead and zinc. Therefore, on anything on which there is a trade agreement, the President would have to cancel the agreement by serving notice on the Nation with which it was made, and then within a reasonable time—and the time is in the contract, 6 months generally speaking—it goes back to the Tariff Commission on that same basis. But immediately when you allow this act to expire, the State Department can make no more agreements, and the General Agreement on Tariffs and Trade is disbanded for all practical purposes, because we are not sitting down in the game. You know what all these trick organizations are, the General Agreement on Tariffs and Trade, this new assembly resolution of the United Nations creating another worldwide trade organization, the International Materials Conference created by the State Department, they make up an international poker game that doesn't go on unless we sit down in it and put our markets in it. And we have the only markets. For 100 years we have built them up. So, I thoroughly agree with you. All you want is a fair and reasonable competitive chance to survive.

Mr. KISER. That's right.

Senator MALONE. I am in favor of giving it to you. This Congress could do it in 24 hours. You have read all the papers. Your people have read them. You know what the Congress contemplates doing, is to carry right on the thing that has broken you, without any change whatever. We are talking about an escape clause, peril points. If you ask the Tariff Commission to establish a point below which an industry is imperiled, then when the State Department makes an agreement, if it takes that peril point, which it seldom does, it makes a 3-year agreement—there is no way to get out of it except for the President to cancel it—and there is no way to correct what they do. Then almost immediately the foreign nations in the agreement—and I have studied this thing for 8 long years back here—it is what I came here for—change the value of their currency which throws the agreement out of gear, or they impose an exchange permit in which you can't get the exchange, or the money, unless they tell you you can bring that

product in, or they have an import permit, or all three. Most of them have all three, and they nullify immediately the effect that any trade agreement might have on them. It is a one-way street from start to finish. There is no question about it. And to see men like you, who have grown up in an industry—and I know thousands of them not only in the mining industry but in these other industries—confronted by this constant threat of being ruined and your enterprises destroyed, it is a sickening proposition to even consider extending the act.

I sincerely believe that if the people of this Nation understood what Congress has been doing for 21 long years and are still doing, the full import of it, they would move on this town. They wouldn't even wait for an election. I don't think they would. I know if I was in the mines and I understood what they are doing to me I would join in the movement.

I appreciate your coming here. I am speaking for the committee, I think. If you have any further information that you think would be helpful to us, after you go home tonight, if you will send it to the committee, it will certainly appear in the printed record if you have any additional facts.

Mr. KISER. I don't have any in mind right now, but I would be happy to supply anything you might care to ask for.

Senator KERR. We would be glad to have you supply any that you want to, providing you do it within the next week or 10 days and we can get it in the record as part of your statement.

Mr. KISER. Very well.

Senator KERR. Thank you very much.

Senator MALONE. I personally appreciate your appearance here.

That completes the hearing today, and we will recess until 10 o'clock tomorrow morning.

(Whereupon, at 9:35 p. m., the committee adjourned, to reconvene at 10 a. m., Wednesday, March 9, 1955.)

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